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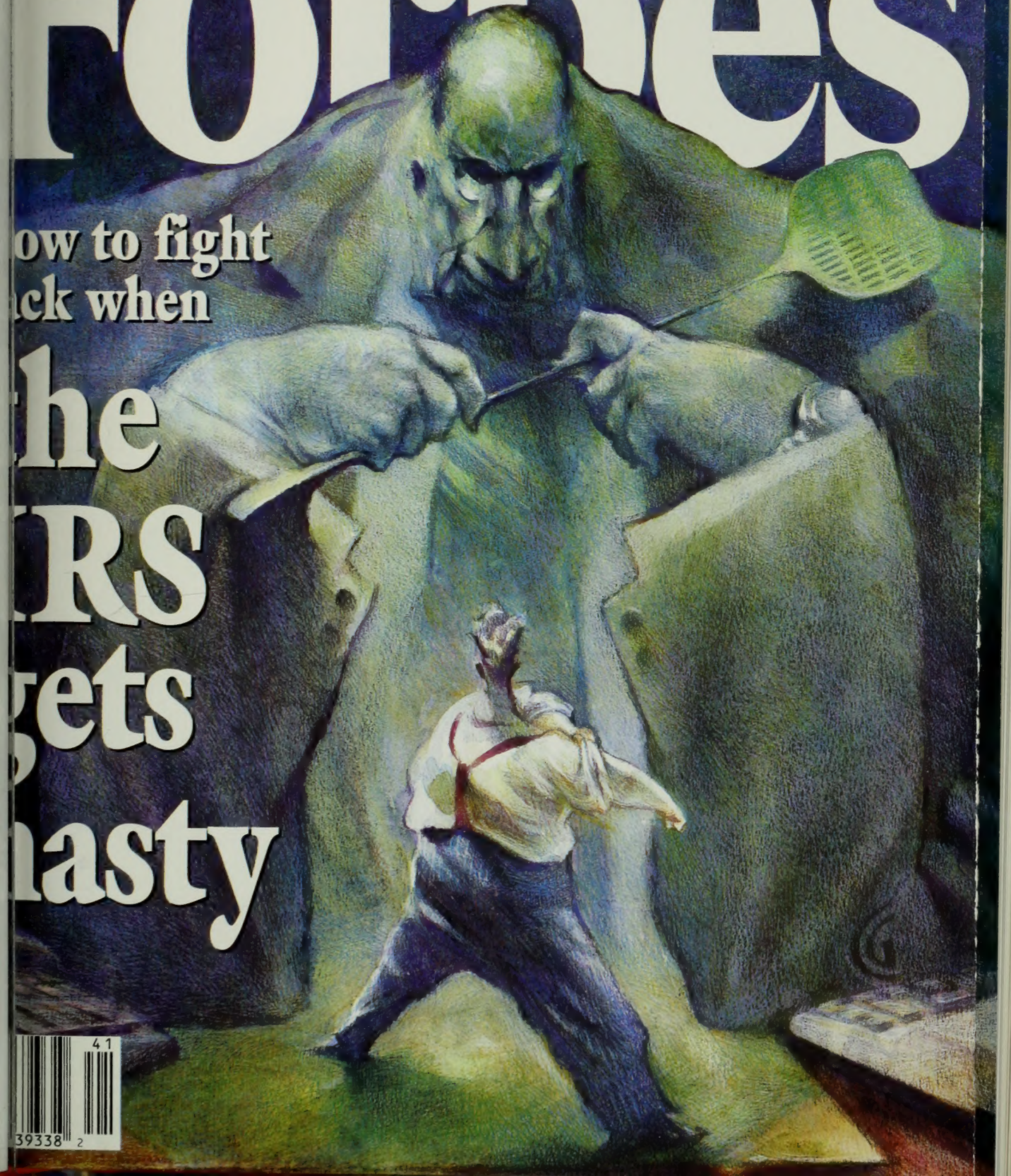

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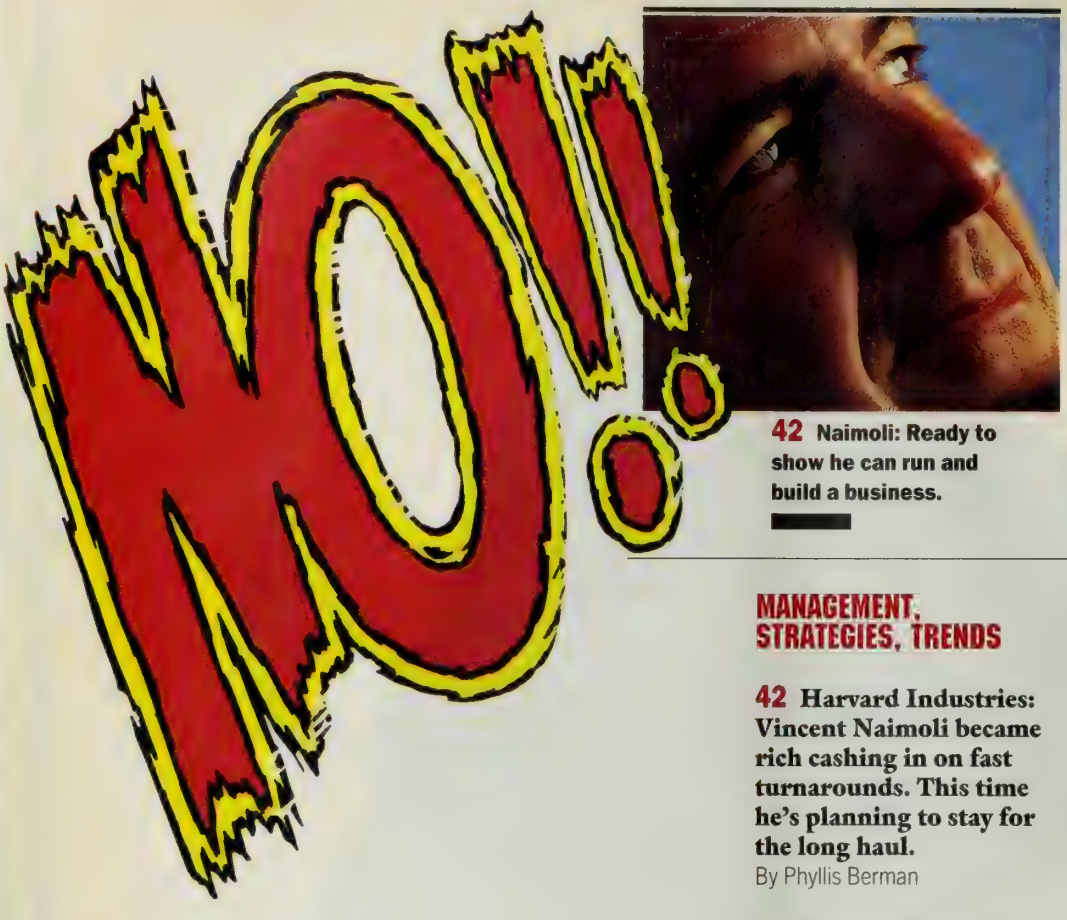

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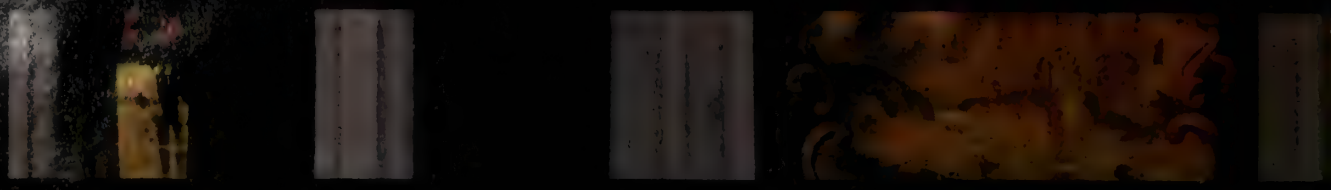

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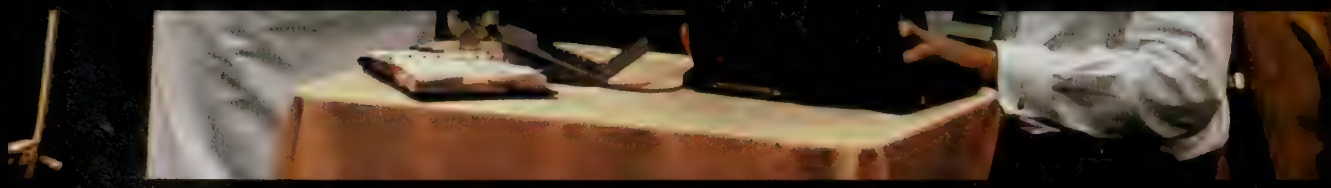

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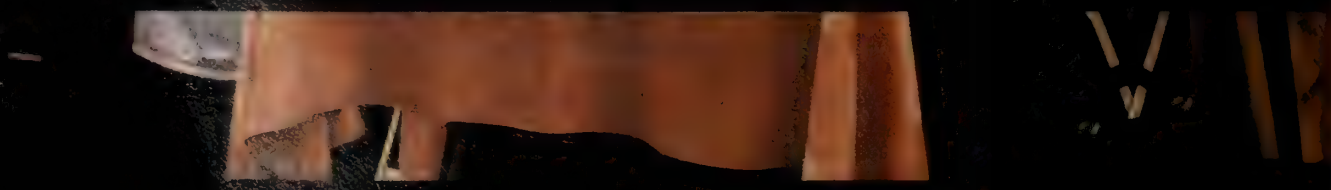

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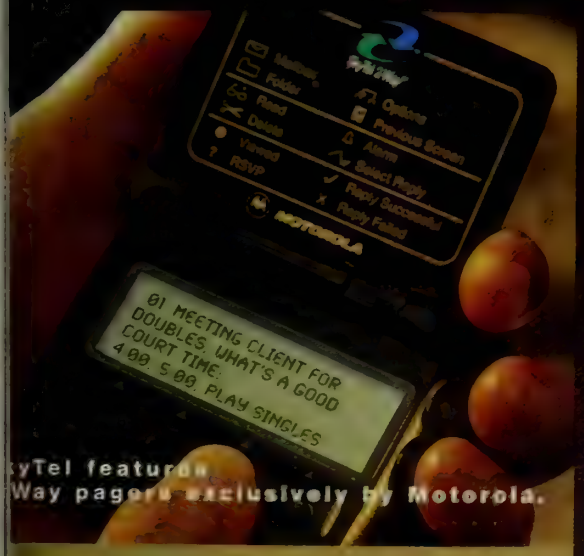

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Printed in U.S.A.

The Infernal Revenue Service

Laura Saunders

I HAVE, AS PERHAPS YOU HAVE, wasted many a pleasant spring weekend searching for little pieces of paper to deliver to my accountant in time for Apr. 15. Thus we come to resent the IRS' exactions of time and patience almost as much as its demands for money. "Knowing when to say no," this issue's cover story, reports the exactions are worse. Janet Novack, who coauthored it with Laura Saunders, reports: "IRS auditors are now asking taxpayers questions the taxpayers aren't legally required to answer." (What to do if it happens to you? *See story, p. 90.*)

Janet Novack

Why must the damned system be so intrusive? Saunders, who has covered taxes for us for the past decade, gives her theory: "I've covered six major tax revisions, and with each the code has grown more convoluted. If it is ever to be less threatening, the change won't come from the folks in Congress and in Treasury who write the tax laws. They just don't think in terms of the human beings at the receiving end. They are bureaucrats, policy nerds, engrossed in concepts of fairness, responding to pressures. They don't have a clue about what their hairsplitting does to us."

A few years ago Saunders called senior members of the House Ways & Means Committee and the Senate Finance Committee, asking: Do you do your own taxes? Just one did: Bill Archer (R–Tex.), now chairman of Ways & Means. Perhaps Representative Archer wil understand the message in our story. It's not that tax folk are sadists They're just hopelessly out of touch.

Sensible sacrifice

AFTER PAYING A GOOD CHUNK OF YOUR PAY into Social Security over a couple of decades, would you surrender your rights to the promised benefits? Before answering "no," read "The legal Ponzi scheme" by Rita Koselka, beginning on page 70. She reports that unfunded pension liabilities under Social Security amount to $12 trillion—2.5 times the formal national debt. Will the government be able to honor those Social Security IOUs a couple of decades out? Lots of luck.

That's why it might pay you to cut your losses and renounce the "benefits." Koselka reports on a proposal by which the Feds would let some of us pull out of Social Security. In return for sparing us further payroll taxes we would give up any claims for money already paid in. Koselka explains why this makes sense both for the country and for the taxpayer.

Editor

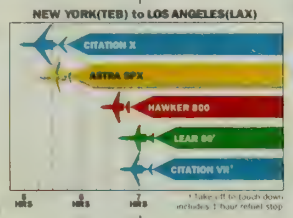
Citation X

Astra SPX

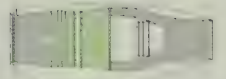
What price speed?

The new Astra SPX is not just fast in its class, it's fast in any class. B/CA says, *"The SPX's speed on trans-continental flights should be competitive with the fastest business jets — regardless of size or price."**

When the Astra SPX touches down at LAX on a non-stop flight from New York, it is only 19 minutes behind the Citation X. The next competitor is just entering Arizona air space. The SPX time is one hour faster than the other manufacturers' mid-size business aircraft. The Lear 60 and Citation VII require a stop** to complete the mission. Astra SPX is the business jet that leaves the others up in the air.



SPX brings a whole new dimension to the world of business aviation. Born of advanced technology, the fuselage fits the human form and achieves the highest degree of aerodynamics. Interior space is maximized while minimizing external frontal drag. As a result, the SPX can fly non-stop** from New York City to Los Angeles at a speed of .82 mach.



TFE 731-40

Climb to the top

Thanks to the new more powerful, highly efficient AlliedSignal 731-40 engines, the SPX offers a range of 3595 miles, 600 miles greater than the Hawker 800. The digitally controlled engines were derived from AlliedSignal's successful turbo fan engines with a history of more than 28 million flight hours. Truly a global performer, the Astra SPX will fly you to London from New York, non-stop. Combining the 731-40 engines with the new wing design, the SPX achieves extraordinary short field performance. On a 1,000 mile mission, it can take off from runways 500 feet shorter than any of its mid-size competitors. In fact, the SPX can take off from shorter fields than the Beechjet 400A and has a lower operating cost per mile than the Citation V Ultra.

Sweet Suite

The Astra SPX has one of the most versatile and capable avionics suites ever installed in a business airplane. Says B/CA, *"The Astra SPX's Pro Line 4 avionics, in our opinion, is one of the most intuitive layouts we've ever seen. This is Pro Line 4 at its best."** Equipped with four 7.25-inch CRTs, of which two are Primary Flight Displays, a vast amount of data is made easy to absorb and use. Your pilots will quickly feel at home in the cockpit.

Your CFO will approve

*"The Astra SPX will score an A+ in the knots-per-dollar-of-puchase-price category on the chief financial officer's tally card."** says B/CA. The Astra SPX is part of a new generation of Astra business aircraft designed for corporations, large and small, looking at new ways to reduce overhead and improve profits. After all, it all comes down to the bottom line.

WHAT PRICE SPEED?

CITATION X	ASTRA SPX
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†† B/CA Equipped Price - as published in Business & Commercial Aviation 1995 Planning & Purchasing Handbook

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*As published in Business & Commercial Aviation (B/CA) August, 1995

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Keeping Bill Gates away

FORBES predicted that Apple Computer would hold its own against Microsoft by providing new products to loyal Macintosh lovers *(Mar. 28, 1994)*. How has the Mac withstood Windows 95?

So far, so good. Apple's revenues grew by at least 20% in its second and third quarters. Sales are being driven by the new superfast Power Macintosh. Windows 95 comes closer to the Mac, but Apple still wins the ease-of-use battle. Apple will counterpunch Bill Gates with this message using a Christmas ad budget twice as large as last year's.

But Microsoft is not Apple's biggest problem. Management misjudged demand and hasn't been able to ship Power Macs fast enough. This thwarted an opportunity to boost its stagnant 8% market share.

Revenue growth in the fourth quarter is expected to fall to 13%, and analyst Vadim Zlotnikov at Sanford C. Bernstein, Inc. cut his earnings estimate by 63%, to 35 cents a share. The stock has fallen 25% since June, to a recent 36¾.

Struggling with a computer in an Apple ad
The Mac is still easier than Windows.

Can Apple save itself? Zlotnikov thinks so, and at nine times his 1996 earnings estimate, the stock could be the apple of an investor's eye.

Pie in the sky

We figured that EchoStar Communications could be a major player in the booming market for satellite TV *(July 4, 1994)*. What we didn't expect was exploding satellites.

EchoStar hoped to launch its first satellite by October. But this year two companies' launches ended in flames, including one by EchoStar's Chinese partner. An investigation into the failure has pushed EchoStar's liftoff to at least year-end.

Troubles getting off the starting block may cost EchoStar the race.

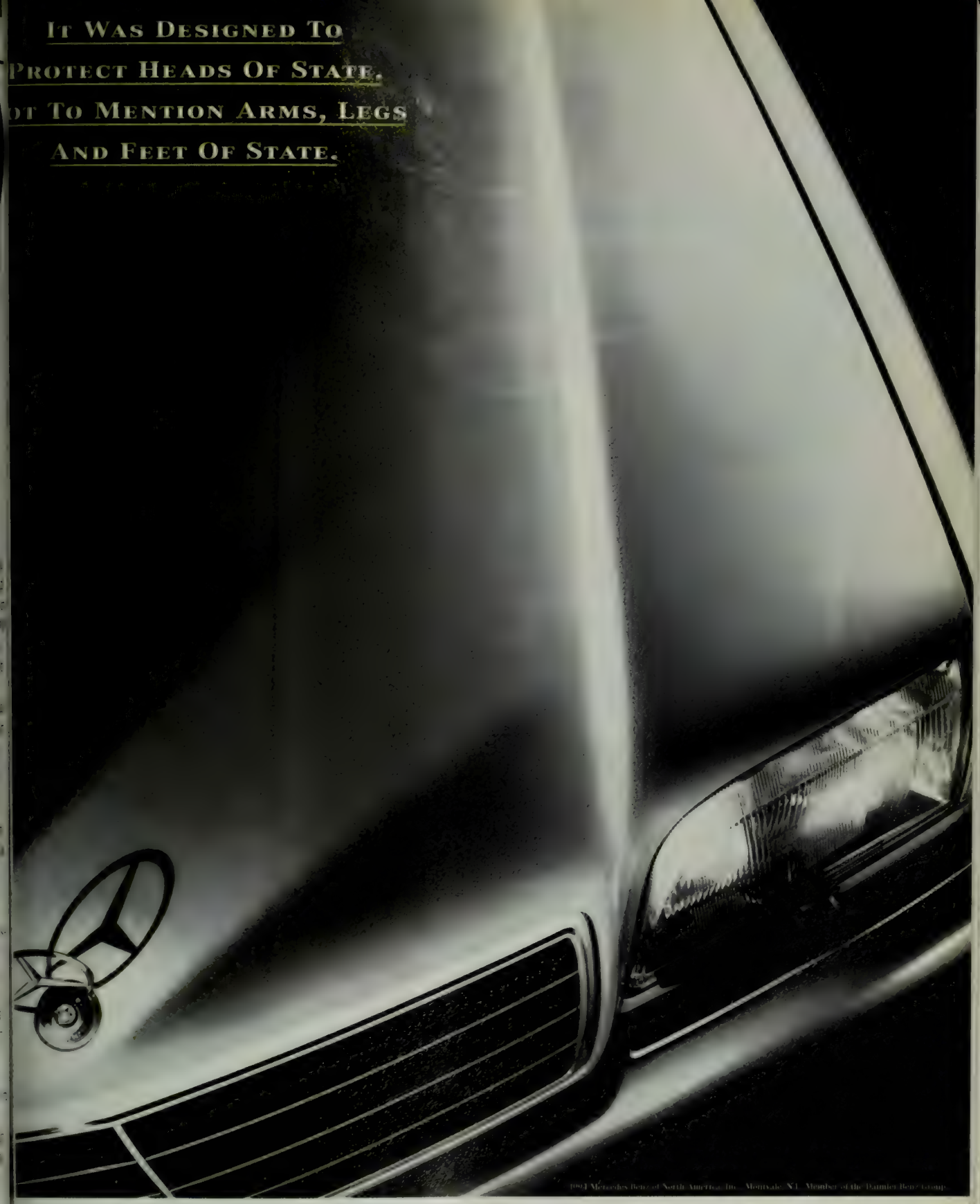
Meanwhile, EchoStar's competitors, Primestar, which is owned by a consortium of cable companies, and General Motor's DirecTV have been gobbling up market share with $100 million marketing campaigns. Even if EchoStar's bird flies this winter, it won't be able to match DirecTV's wall-to-wall offerings of professional sports until at least July of next year.

With DirecTV and Primestar grabbing dominant shares early in the game, EchoStar faces at best a niche existence, or possibly extinction if they don't get something on the air soon. —MICHAEL NOER

The unfriendly ghost

Two years ago, Jeffrey Montgomery, a USC grad, planned on resurrecting Harvey Entertainment, which owns cartoon characters Casper, the Friendly Ghost and Richie Rich. Montgomery, funded by Saudi royalty, bought Harvey in 1989 for $7.5 million. The idea: reintroduce the characters in TV shows and movies and strike gold in merchandising *(Aug. 30, 1993)*.

But the expected windfall was an apparition. *Casper*, released in May, has grossed $238 million worldwide, and Montgomery licensed 1,000 Casper products. Harvey, however, will pull in only $3.5 million in advance licensing fees this year. *Casper* couldn't compete with merchandise from *Pocahontas* and



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Harvey's Casper

Batman Forever.

Now, Montgomery, 31, hopes that a new Casper TV show, due out in February, and the video release of the movie will revive retail sales. But he's also looking for a buyer. "I expect a significant premium over the current price," Montgomery says, even though Harvey is trading at almost eight times 1994 sales.

Harvey's stock has fallen 31% since May, to a recent 11, and the stock is a favorite of the shorts. But don't worry about Montgomery. His 16% stake is worth $5 million.

Prostate update

The popular blood test for prostate cancer, called the PSA, has a major flaw: It only shows whether cancer is probably present in the prostate, not if it has spread *(July 5, 1993)*.

But a new test, called the RT-PCR, goes a long way towards solving that problem. Codeveloper Dr. Carl Olsson of Columbia-Presbyterian Medical Center in New York says the new test seeks out special cells in the bloodstream. If the cells are present, cancer has probably traveled beyond the prostate.

The two tests combined can help determine treatment. Say a PSA test indicates cancer in the prostate, but the RT-PCR test is negative. The cancer probably hasn't spread, and the prostate can be removed before cancer cells escape. But if the PSA and RT-PCR tests are both positive, then Olsson is less likely to recommend surgery. Once cancer cells have spread, prostate removal is less effective.

Interested doctors can get patients tested free by enrolling in a clinical trial through Stratford, Conn.'s Dianon Systems, a cancer testing laboratory. —JAMES M. CLASH

THE SURPRISING FACTS ABOUT THE COST OF STUDENT LOANS.

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There has been a good deal of confusion about the relative cost of student loans.

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Red Sox make playoffs, curse intact

IN 1920 Boston Red Sox owner Harry Frazee sold Babe Ruth to the New York Yankees to raise money for his Broadway musical, *No, No, Nanette*. Thus was born the famous "Curse of the Bambino." The Red Sox haven't won the World Series since, while the hated Yankees have won 22 times. With the Red Sox a lock to make the playoffs this year, the *Boston Herald* newspaper recently tracked down Babe Ruth's adopted daughter and asked her to lift the curse. She happily complied: "It's high time they won, so this so-called curse is broken," said the 78-year-old Julia Ruth Stevens. But Stevens' exorcism didn't work. Since that day the Red Sox have gone on a five-game losing streak. Sports fans are now claiming that the *Boston Herald* reporter put another curse on them by writing the news story.

UPI/Bettmann

Babe Ruth with adopted daughter Julia
Exorcist still wanted.

Too many torts

LAST MONTH an Oakland, Calif. jury awarded $1 million to a man who claimed he'd been fired from a Kragen Auto Parts store because he was too fat. The 400-pound heavyweight, John Rossi, 35, wept tears of joy when the verdict was announced. "I hope this proves that people should be judged on their character and work ethic, not on their appearance," he said. His lawyer, curiously named Barbara Lawless, said her case hung on a doctor's expert testimony that obesity is 80% genetic and 20% environmental, thus qualifying it as a disability under California's Fair Employment and Housing Act.

A new way to conserve energy

SCANDINAVIANS can be casual about death. There's their high suicide rate. They recently aired on Swedish TV a documentary instructing viewers on how to build their own cheap coffins. But for morbid Scandinavian pragmatism, nothing tops the Lutheran church in Kalmar, in southern Sweden. It reportedly applied for permission to link its on-site crematory to the church's heating system.

Scotch hot dogs

MCDONALD'S CORP. is ever zealous in protecting its trademark. It sued a hot dog outfit in Silkeborg, Denmark for trademark infringement. Owner Allan Pedersen called his frankfurter stand McAllan. McDonald's won a $2,600 settlement, but Pedersen's appealing. Poor Pedersen: He claims he wasn't mimicking the hamburger chain at all but had simply misspelled the name of his favorite libation, Macallan scotch whiskey.

Problems at IBM

THE ONCE Teflon-plated IBM gets nothing but bad breaks these days. Last week it announced third-quar-

Everett Collection

Ingmar Bergman's "The Seventh Seal"
But how's this one for morbidity?

ter earnings would fall short of expectations. Then the stock dropped 3%. Now this: During the recent U.S. Open tennis matches at Flushing Meadows, an on-camera digital display erred in its measurement of the speed of tennis serves during the Boris

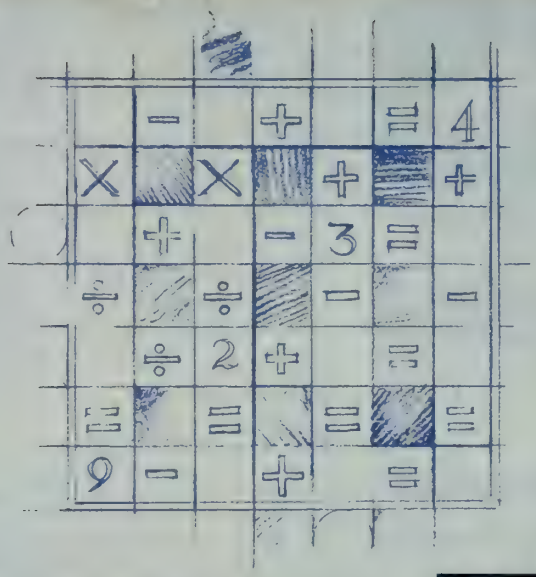
The 1995 U.S. Open
Disadvantage, IBM.

Becker/Patrick McEnroe quarter-final. "That thing hasn't worked for years. Why should it start working now?" chortled commentator John McEnroe. The logo on the device, clearly identified to CBS' TV audience of 3 million households: IBM.

Red birds and red skins

TAXPAYERS of Phoenix have agreed to fund a brand-new baseball stadium for the Arizona Diamondbacks, which leaves the local football team, the Cardinals, out in the cold. It's a bit much to ask the locals to foot the bill for yet another stadium in the same town. So William Bidwill, owner

of the traditionally hapless football club, has come up with a novel idea. He's reportedly met with heads of local Indian reservations near Phoenix. We hear he's proposed that the Indians fund the project with revenues from their gambling operations. Says one Cardinal employee: "They've got the cash and everyone knows we're a great investment."



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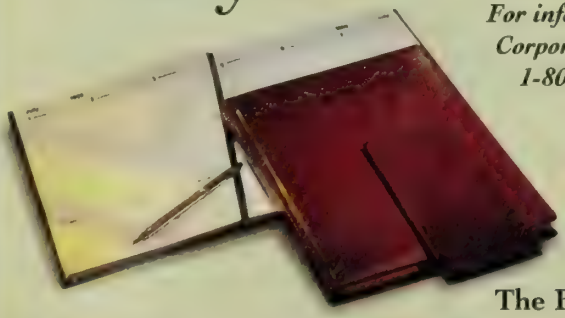

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Better off bankrupt?

Amtrak train

Should bankruptcy be the next stop for the troubled carrier and its 22 million riders?

SIR: Re "The Featherbed Express" *(Aug. 28)*. Excessive labor costs, mandated by federal law, have driven up the operating budget of Amtrak over the years. But you wrongly conclude that the country's train riders would be better off if the corporation went bankrupt and the railroad industry took over. Congress created Amtrak in 1971 precisely because private railroads were abandoning passenger service in favor of more lucrative freight lines. Had Washington not stepped in, passenger trains would now be nonexistent. The bottom line? Amtrak can be self-sufficient by the year 2001, if Congress frees us from nonbusinesslike restrictions and continues modest funding over the next several years. Federal support for Amtrak is an investment, not a handout.
–THOMAS M. DOWNS
President
Amtrak
Washington, D.C.

SIR: Amtrak's high labor costs are only half the problem. Amtrak and potential other intercity rail passenger operators must have a stable source of capital funds for infrastructure like that provided by the Air and Highway Trust Funds. It is time to establish a Rail Passenger Trust Fund using passenger ticket taxes. Congress terminated a similar program, the Railway Trust Fund, in 1962 and used its balance to fund highways and airways which were not then self-sufficient.
–PHILIP M. MARTIN
Senior Economist
Economic Counsel to the Transportation Industry
Jenkintown, Pa.

Standing firm

SIR: Re your challenge to bring u one issue [on which] President Clin ton never changed his position (Fac & Comment, *Sept. 11*). He has alway maintained he is completely innocen of any wrongdoing in the Whitewate affair.
–DAVID ARLEIN
Boca Raton, Fla.

SIR: Clinton's position on his owi reelection has, to my knowledge, nev er wavered.
–RICHARD BENVENUTO
Franklin, Pa.

SIR: I like the fact that a politician ca acknowledge that he may have bee wrong. In our current world, virtuall nothing remains the same. An unwa vering opinion shows more ignoranc than understanding.
–DONALD M. YONCE SR.
Myrtle Beach, S.C.

Training wheels

SIR: Re "What are condoms mad of?" *(Sept. 11)*. Teacher Glotze blames American society. Not ver helpful. The problem always has bee and remains the teachers' college America trains its teachers, rathe than educates them. The discipline o the liberal education, with its inten sive reading in what are now deride as "dead white European male" writ ers—the curriculum—has vanishe from the preparation of our teacher themselves. And the teachers' colleg is largely responsible.
–WILLIAM C. LLOYD
Madison, Wis.

Sources of savagery

SIR: The "reasonably homogenous populations" of the new separatist states praised by you in "Unbundling nations" *(Aug. 14)* often choose to pass up their potential prosperity by limiting their productivity to filling graveyards with less homogenous unfortunates. The bloody chaos in the former Yugoslavia is not the result of excessive tax rates and burdensome governmental regulation. Religious bigotry and linguistic territoriality are the main sources of the murderous medieval savagery afflicting the Balkans today.

–D.L. BOWMAN
New York, N.Y.

Moving on

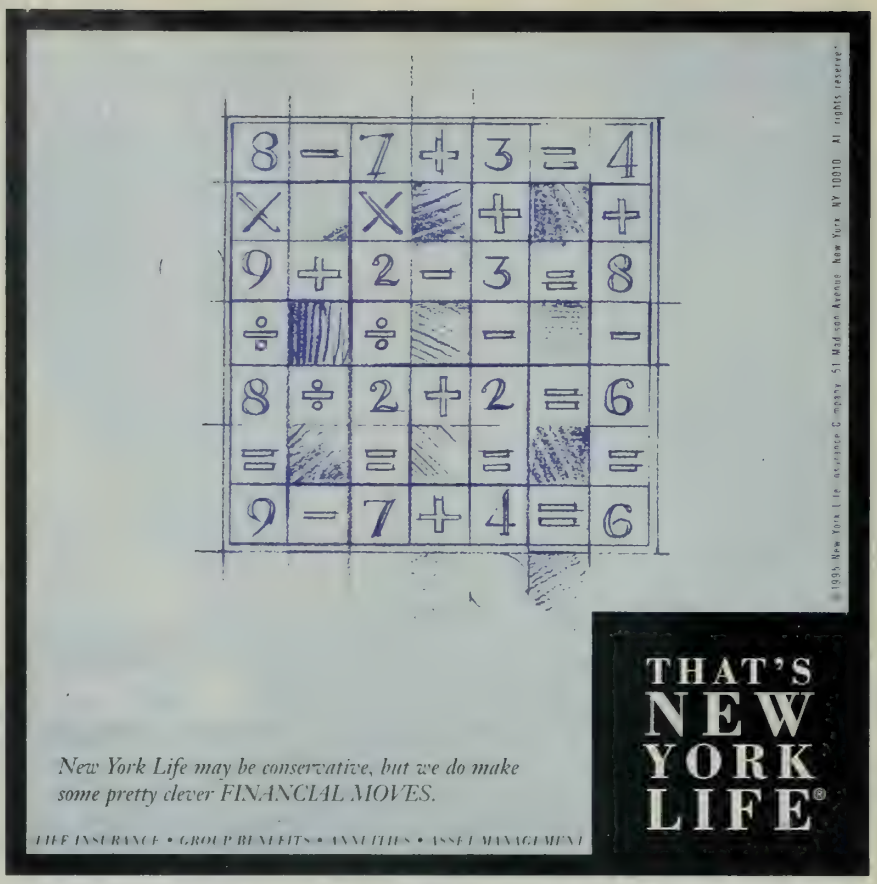
SIR: Re "Jack Slevin's ordeal" *(Aug. 14)*. As a seven-year member of the Comdisco sales force I read with interest your article on the goings-on at my old employer. These same characteristics could and would be found in most pressure-packed sales positions. The timid need not apply. What I find telling as a business problem at Comdisco lies in the fact that since 1988 more than 85% of the salespeople hired to bring Comdisco into the year 2000 have since moved elsewhere.

–THOMAS J. VAUGHN
Boston, Mass.

Pipe dreams

SIR: "The reluctant entrepreneur" *(Sept. 11)* struck me with memories of the "throw away your printer and photocopier, the paperless office is coming" rant of ten years ago. I just ordered more paper stationery.

–GERARD L. BRANDENSTEIN
Sayville, N.Y.



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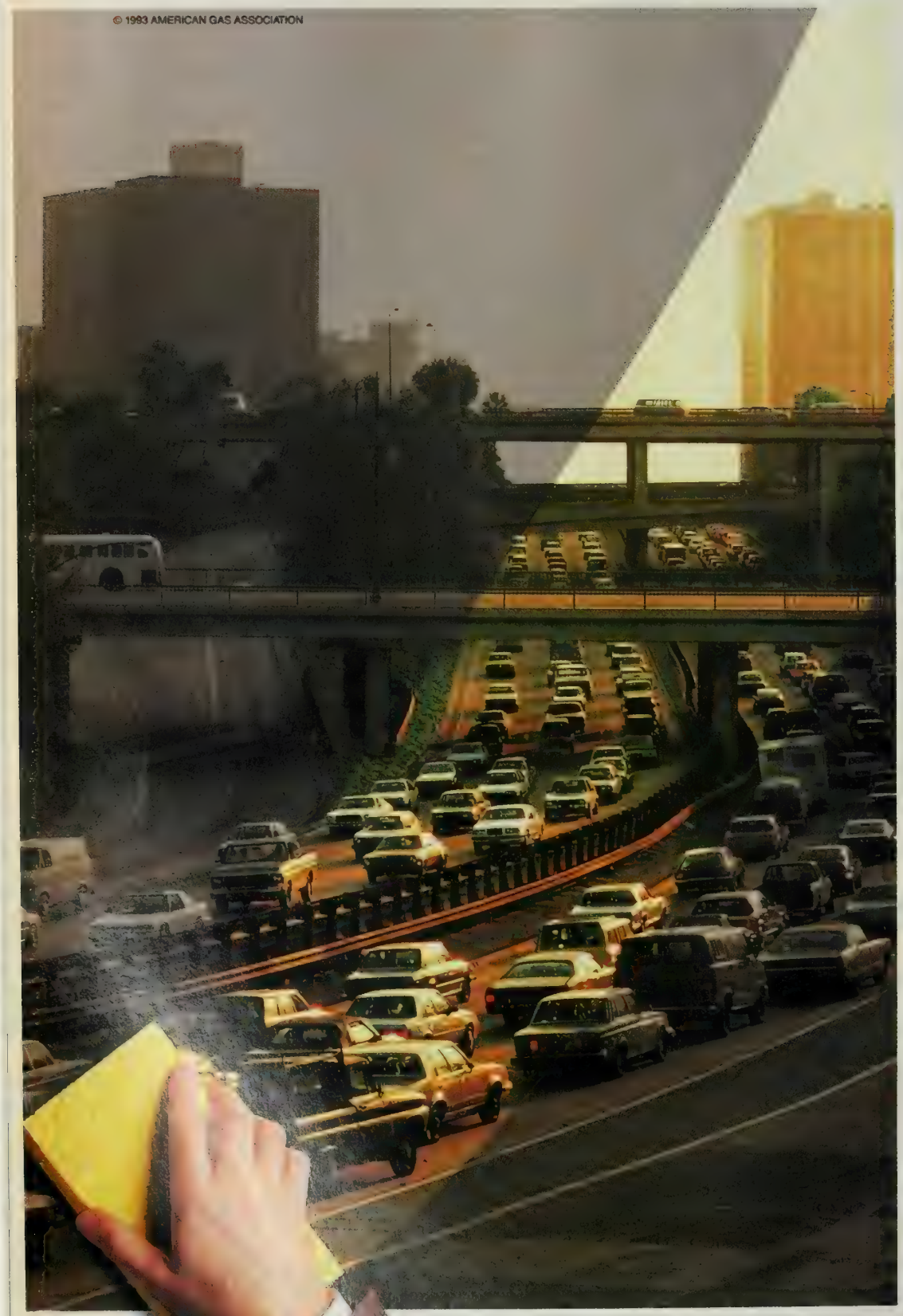

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Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*

BAD IDEA BEGETS BAD ECONOMY

THE U.S. ECONOMY is bogged down because of a misbegotten idea. One of the most destructive, durable theories is the notion that growth causes inflation, that there's a "natural" level of expansion that can be exceeded only at the high risk of a resurgence of rising prices. Economists call this tradeoff the Phillips Curve: If you want more growth, you have to accept more inflation; if you want less inflation, you have to accept a semi-sluggish economy.

The Federal Reserve in early 1994 began raising interest rates with the avowed goal of slowing down the economy to fight inflation. The resulting torpor has meant that at least a million new jobs that could have been created were not. It has meant that personal incomes that could have gone up did not.

Prosperity is not the fueler of inflation. We had our longest peacetime expansion in the 1980s, and inflation plummeted from 13% to 4%. Yet Republicans and Democrats implicitly accept the restraints of the Phillips Curve. Both accept the uninspiring assumption that the economy can only grow around 2.5% annually. The Federal Reserve becomes horrified when economic growth approaches 3%. How in the world do these people know what our economy is capable of doing? Past averages are very interesting, but they are not predictive of the future.

Given the fundamentals—strong productivity, strong investment, technological leadership, plentiful capital—there is no reason we can't do significantly better than the Federal Reserve and its passive, political co-conspirators seem to think.

SIMPLIFY CENSUS

CONGRESS SHOULD TELL the Census Bureau to get back to basics as the Bureau prepares for counting us in the year 2000. Instead of sending out ever-more-complicated, intrusive, multipage questionnaires to millions of people, the agency should substitute a simple postcard. The Constitution requires only an enumeration of how many of us there are in the United States and where we live. It does not require the government to collect reams of data for the convenience of social scientists and corporate marketers. The private sector has enough resources and ingenuity to get all the marketing data it needs. That we must answer so many nongermane questions under penalty of law is truly an outrage. The postcard approach would save us billions of dollars. More important, it would do away with an absolutely unnecessary government intrusion into our lives.

FPG

Counting people, not doing market research, should be Census' mission.

TEACHER DIVERSITY

HERE'S AN IDEA that will help re-energize our public schools: Expand the traditional pool from which teachers are drawn. Most districts rely on résumés that come in from about-to-be graduates of teaching colleges. No effort is made to actively solicit people from other walks of life who might consider teaching.

The great obstacle to seeking out nontraditional candidates is, of course, state licensing laws that emphasize time spent—usually years—taking teacher education courses. There is little correlation between these certification requirements and true effectiveness in the classroom.

Wendy Kopp has a better way. She is the founder of Teach For America, which has taken over 3,000 outstanding college graduates, put them through rapid training and sent them to work in distressed urban or rural school districts for two years. This version of the Peace Corps has been immensely successful and widely praised.

Instead of trying to reform the current system, Kopp proposes a parallel, alternate one, TEACH!, which she launched in 1994. Districts would provide intense, extensive training to all beginning teachers, regardless of their previous education credentials. The alternative cer-

tification would be based on actual, on-the-job performance over two years—not on time spent in a college classroom.

Kopp and her colleagues have ongoing demonstration projects in Oakland and Compton, Calif.; Baltimore, Seattle and rural areas of North Carolina. The results are very encouraging. A new pilot partnership is starting this fall in Houston. TEACH! hopes to get all school districts to vigorously recruit teachers from nontraditional sources. Schools will have no excuse not to have top-notch people in classrooms.

As Kopp puts it, "We want to insure that school dis tricts have the freedom to recruit individuals from a walks of life, regardless of their prior experience course-work in teacher education. Teachers would b licensed on the basis of individualized evaluations c their classroom teaching performance." Of course, ther is no reason that nonpublic schools couldn't use Kopp evaluation tools as well.

The need for an alternate system is great. Experts esti mate that half of America's public school teachers will b leaving the system over the next decade.

FAST SOLUTION

NEW JERSEY GOVERNOR Christine Todd Whitman has an idea that motorists will love. She is urging her fellow governors from the Northeast to adopt an electronic toll collection system that would allow cars to zip through (via special lanes) all the region's toll roads, bridges and tunnels. Scanners would record the information from a car's bar code and bill the owner via credit card c some prepaid account.

N.Y. State Thruway Authority

High-tech tolls keep us moving.

Dallas and a handful of othe areas have radio- or chip-activate booths so that drivers don't hav to stop. The benefits are obviou fewer tie-ups at tollbooths an speedier rides.

The Whitman plan, in fact, shoul be adopted nationwide.

Rx: PROTECTING PRIVACY

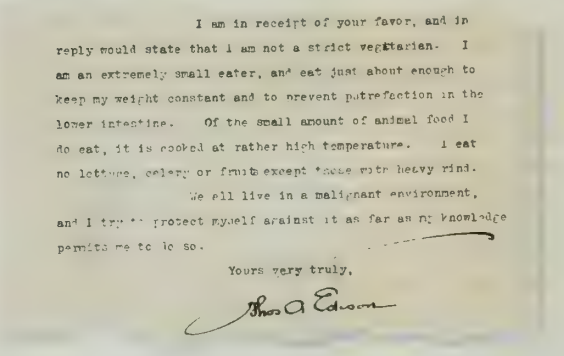
DID YOU KNOW that there is no federal law that protects the confidentiality of your medical records? Washington forbids the release of video rental lists without a court order, but there is no similar protection for the infinitely more sensitive area of your medical information. Safeguards are essential now that records can easily be whisked across computer wires with the press of a button.

Patients should be notified if there is a request for their records, and there should be patient consent befor this information is transferred or disclosed. Legislatio should spell out restrictions on who in an HMO or som similar institution can have access to records and unde what circumstances. In too many instances, informatio can be accessed by just about anyone working there.

A good starting point would be the medical privac bill proposed by Representative Gary Condit (D–Calif.

THE MORE THINGS . . .

THE AMERICAN FETISH for healthful, life-elongating foods and diets and our concern over hazardous elements in the environment are nothing new, as this letter (from the Forbes Magazine Collection), written over 80 years ago by our most extraordinary inventor, Thomas Edison, attests.


I am in receipt of your favor, and in reply would state that I am not a strict vegetarian. I am an extremely small eater, and eat just about enough to keep my weight constant and to prevent putrefaction in the lower intestine. Of the small amount of animal food I do eat, it is cooked at rather high temperature. I eat no lettuce, celery or fruit except those with heavy rind.

We all live in a malignant environment, and I try to protect myself against it as far as my knowledge permits me to do so.

Yours very truly,

Thos A Edison

RESTAURANTS—GO, CONSIDER, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES *eatery experts Jeff Cunningham and Tom Jones.*

● **Frank's Restaurant**—85 Tenth Ave., at 15th St. (Tel.: 243-1349). Despite a campus eating-hall atmosphere, steaks are almost up to the stellar status of Sparks'.

● **Il Pellicano**—401 East 62nd St. (Tel.: 223-1040). Surly and inattentive service. Food, inconsistent. Insalata di fagioli (black-eyed beans with onion and celery leaves tossed with balsamic vinaigrette), for example, delicious; but insalata di popile (poached octopus with Mediterranean dressing), rubbery.

● **La Réserve**—4 West 49th St. (Tel.: 247-2993). Remains one of the tried-and-true classics. Service, impeccable; the setting, handsome; the food, superb—if n inspired. An oasis of reliability in this ever-changing worl

● **Home**—20 Cornelia St. (Tel.: 243-9579). Tiny, b for memorable food in comfortable setting, few places ca match it. Pistachio and white chocolate cake, outstanding

● **Sel et Poivre**—853 Lexington Ave., near 64th S (Tel.: 517-5780). Few bistros more welcoming and con fortable than this small, cozy spot. Menu done beautifu ly: moules marinière, saucisson chaud and brioche, stea frites and salad, bouillabaisse. Couscous offered on Frid and Saturday nights. Perfect place for a tête-à-tête. ■

Captain Steve Wand, Concorde pilot and Senior Training Captain, at the controls of the Concorde simulator

"When you settle on a design that is successful, you want to keep it."

Steve Wand, Concorde Captain

As Captain Wand says these words, he is ting in the cockpit of a British Airways oncorde. Yet he is not talking about the air- aft. He is comparing his Rolex GMT-Master II th a Rolex Oyster worn by another pilot: Brian ubshaw, Chief British Test Pilot for the oncorde development program.

More than twenty-five years separate the two olex watches. And, while there have been merous technical improvements over the years, the untutored eye the difference between them is minimal. The Rolex GMT-Master II and the Concorde are truly classic designs.

Says Captain Wand, "I don't think any of us ever become so complacent that we think we've had enough of the Concorde."

Trubshaw agrees, "There's a tremendous pride in flying the Concorde. It's a remarkable piece of engineering. Just like my Rolex."

Brian Trubshaw, test pilot for the Concorde program, wears the same Rolex GMT-Master today that he wore in 1969.

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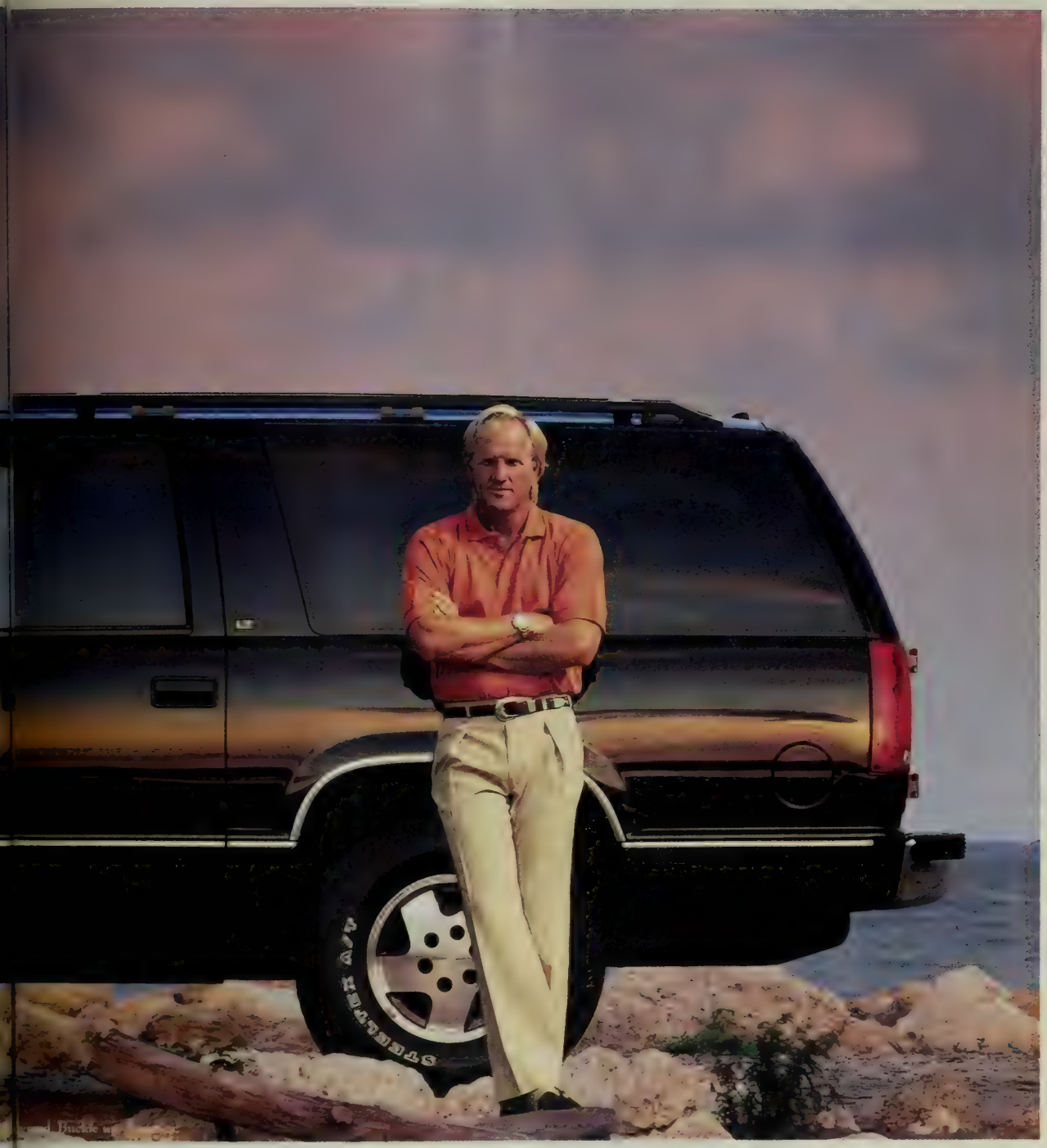
WHY THE SHAR

Most people know Greg Norman as a golfer. Actually, there's much more to him than that. He's just as at in the outback as he is on the back nine. So when he's not golfing, Greg takes his Chevy Suburban on hu trips, on fishing expeditions, and anywhere else there might be an adventure. Suburban is unique – it's th



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that combines elegance, power and unparalleled cargo capacity with enough to comfortably carry up to nine passengers. It's this one-of-a-kind versatility makes Greg's Suburban not only a reflection of his lifestyle, but a part of it.

CHEVY SUBURBAN
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Other Comments

Record Creeping

A 1993 LOUIS HARRIS POLL found that more than 25% of people believed their medical information had been improperly disclosed. Lest anyone think these people are paranoid, 34% of health care professionals surveyed said records are given to unauthorized people "somewhat often." And these figures only reflect the cases that patients or doctors knew about.
–LEAH R. GARNETT,
Harvard Health Letter

Senseless Census

EVEN LIBERALS should disdain the Census Bureau's current operations. Every 10 years, the Bureau violates our privacy for the benefit of private concerns—corporate welfare at its worst.

The Constitution says nothing about asking us rude and impertinent questions about our race, the number of bedrooms in our abode, how we get to work and what we spend on heating oil.
–DON FEDER, *New York Post*

Lesson in Hypocrisy

HIGH INCOMES in business and the professions are draining "talent" from teaching and government, says Derek Bok, the ex-president of Harvard. [But] even if we could raise teachers' salaries 10% or 15%, the schools' basic problems would remain. The quality of new teachers might improve somewhat. But schools would still have to cope with the social problems of family breakdown. And academic standards would remain lax because, although we say we want good schools, we don't want them to flunk our kids. Higher teachers' salaries can't cure hypocrisy.
–ROBERT J. SAMUELSON, *Newsweek*

There is a saying that runs, "Living well is the best revenge." In politics it might be paraphrased to say, "Living longer than anyone else is the ultimate revenge!"
–RICHARD NIXON, *Leaders*

Re-grow the Economy

THE GOP has adopted Ross Perot's mantra of a balanced budget, but a policy of reaching a zero budget deficit in seven years, ten years or whatever is not based on any sustainable *economic* argument.

Democratic financier Felix Rohatyn, in the *New York Review of Books,* attributes the strength in the stock market to bipartisan commitment to paring the deficit, but warns that "balancing the budget is not an end in itself"; indeed, that "the federal budget reflects neither accounting nor economic reality." The predicted growth rates "are historically low and not adequate for a strong economy. Yet there has been hardly any discussion about what would be an acceptable rate of growth for a country such as the U.S., which requires huge investment i both the private and public sectors."

Such discussion ought to start wit the heirs of Ronald Reagan, who pre sided over our last period of accept able growth. No strong growth mes sage comes from any GOP presider tial contender, and even newly ascer dant congressional Republicans pitc their rhetoric toward sacrifice rathe than hope. Republicans could give th nation a badly needed psychologic lift if they promised a return to th economic growth of the Reagan year
–ROBERT L. BARTLEY, editor,
Wall Street Journal

Play Ball!

EVERYONE SAID that Lou Gehrig' record could never be broken. Bu Cal Ripken Jr. broke it. He did it b getting up every day and going t the ballpark and doing his very best Everyone also says that Lou Gehrig' disease can never be cured. Yet th challenge to all of us with ALS is jus the same as the challenge to Ripker get up every day, go to the ballpark do our very best.

Some of us cannot get up and g to the ballpark every day, of course Some of us cannot even get up. Bu all of us can find in every day th hope, faith, joy, laughter, determina tion and sense of purpose that seer to fill Cal Ripken's days. Those ar the materials we should use to buil the personal ballparks in which w can play out the best of our days.
–JOE MARTIN, Executive Vice President of Corporate Affairs, NationsBank Corp., Charlotte, N.C.

Sorry Spectacle

SOME THINGS are best left untele vised—like the O.J. Simpson, Lanc Ito, Kato Kaelin, Johnnie Cochrar Marcia Clark and Rosa Lopez Show which threatens to run longer tha *The Fantasticks* and where 99% c what sees the light of day should b on the cutting-room floor or, a best, in a reporter's wastebasket.
–DON HEWITT, executive producer,
"60 Minutes," *New York Times* ■

"I really enjoyed my last life. When I spoke, Hollywood trembled."

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Commentary

on events at home and abroad

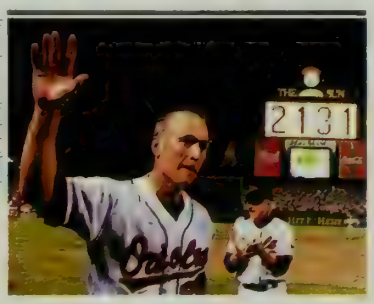
By Caspar W. Weinberger, *Chairman*

THOUGHTS AT THE END OF SUMMER

AUGUST IN MAINE offers a rare opportunity for reflection on the long-term implications of the grist of daily news.

The O.J. Simpson trial was not worth the trees destroyed to make the paper to print such tawdry events. Regardless of the outcome, the conduct of the judge, the prosecution and the defense did irreparable damage to our faith in the way we determine guilt or innocence. After this interminable spectacle, some people will probably even call for a return to the medieval practice of trial by combat.

Prosecutors were allowed an unconscionable amount of time to present an ill-organized case lacking preparation, as evidenced by their own witnesses' surprising and discomfiting them. Meanwhile, a gaggle of defense attorneys postured and vied with one another, doubling the expenditure of time. Judge Ito allowed all this, with only flashes of petulance or feeble attempts at humor, coupled with undignified language. Apparently, the judge never thought to insist on 12-to-14-hour court days to discourage the endless stream of words. But his fundamental mistake was allowing the courtroom to be turned into a television/radio studio, where maximum exposure to the airwaves became more important for all participants than the expeditious determination of guilt or innocence.



Every season needs its hero: Baseball's Cal Ripken Jr.

Who could expect a jury to be anything but confused? Any thoughtful appellate review—should there be one—is bound to find numerous errors that could void the entire travesty. If anything good is to emerge from this trial, it can only come from a group of senior judges and counsel—outside the range of cameras—meeting to determine how to restore faith in our aged, honorable justice system.

Bosnia—Again and Still

The stage in Bosnia is being set for an extravaganza entitled "President Clinton Brings Us Peace in Our Time."

This is a paraphrase of the memorable but inaccurate way Neville Chamberlain described his capitulation to Hitler in Munich in 1938. A more accurate title for both Mr. Chamberlain's negotiations and Mr. Clinton's efforts in the former Yugoslavia would be "Making Peace With the Guilty."

When NATO finally secured U.N. permission to attack the Bosnian Serb positions responsible for the carnage in Sarajevo, there was reason to hope that aggression might be punished. But the cruel absurdity of our policy became evident as our chief negotiator, the ever-so-self-important Richard Holbrooke, rushed from camera to camera insisting that we did not want to *destroy* all the Serbs' guns because that would be "taking sides." Our aim was to encourage the Serbs to move their heavy guns back 12.5 miles so the "peace process" (read "appeasement") could proceed. In fact, we agreed to the Serbs' keeping their 81-mm mortars in place (these kill people, too) and leaving some big guns inside the zone for a few more days. We stopped the NATO attacks, but Mr. Holbrooke remains "very concerned" about the Bosnians—not because of the Serb attacks on them, but because the Bosnian government troops, inconveniently for Mr. Holbrooke, have been winning decisive ground against their aggressors. This, of course, threatens the peace process, which consists of persuading the Bosnians to surrender much of their country.

So vital is this dubious process that we sent Strobe Talbott, our leading Russophile, to Moscow to assure the Serbs' ally that if it does not interfere, we will not expand NATO now and that Russia need not fulfill its 1990 conventional arms reduction pledge now.

The parallels with 1938 Czechoslovakia, when the Czechs were persuaded to cede the Sudetenland to Hitler, are exact and deadly. One is also reminded of Vietnam, when our mission (to which we committed over 540,000 troops) was not victory but "containment."

Good News At Last

The best news of the summer was about a highly skilled gentleman who, methodically and with great grace and skill, demolished an "unbeatable" baseball record. Cal Ripken Jr. broke the record set by another fine gentleman, Lou Gehrig, for the most consecutive games played.

A country with heroes is a better country—but, given the current passion for revisionism and deconstruction, it is likely that we will shortly be greeted by an investigative reporter's story that Mr. Ripken may have been given a parking ticket while in high school. ■

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— Hank Kashiwa, Olympic Skier, Co-founder, Volant Skis

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Are U.S. profits about to go into the tank?

CORPORATE PROFIT GROWTH has been one of the brightest features of this recovery. Profits are at their highest ever in terms of real, inflation-adjusted dollars. They now hold around a 10.5% share of U.S. gross domestic product. That's still not back to the 13% average share of the 1950s and 1960s, but it is a mighty improvement on the 8% or so held in the late 1970s.

But now the growth in profits has peaked. Using national GDP measures, pretax corporate earnings grew at 15%-to-20% annual rates between 1992 and 1994. By the second quarter that growth had declined to a 4% annual rate *(see chart, below)*.

The prospects for profits appear worse than this suggests, warns economist Robert Marks of SOM Economics, of Dobbs Ferry, N.Y.

Marks has devised his own broad measure of corporate profits. He compares the reported sales revenues of the S&P 500 plus 350 other companies (totaling around $4.5 trillion in sales, or almost two-thirds of the domestic economy) with these companies' reported net earnings. "This often gives a quite different picture," says Marks. "In the second quarter [of 1995], for instance, nominal GDP rose by 5%, while revenues for my 850-company sample rose by over 11%."

Given this sales momentum, it was no surprise to Marks that reported earnings, as distinct from national accounting profits, were still increasing by 15% or more through the second quarter.

But now sales growth has slowed. In the second half of this year, Marks expects sales growth to decline to 8%, and to around 6% by the first half of 1996. With the weaker pricing that accompanies a declining sales growth rate, Marks forecasts that earnings growth for his 850-company sample will be down to 3% to 5% by the end of this year. Profits could be stagnating, he says, in a year's time.

The strengthening dollar will also hit profits, since it reduces the dollar value of profits earned abroad by U.S. companies. So, incidentally, will the recent spate of hurricanes. Disasters take a toll on insurance profits; the downward spike in our chart in mid-1992, for example, was caused by Hurricane Andrew.

Trouble ahead for stocks, jobs and capital spending

WITH THE S&P 500 CURRENTLY SELLING for nearly 17 times Wall Street's estimate of this year's earnings, the equity markets would, obviously, react very badly indeed to a serious downturn in earnings growth. Up to now the markets have mostly been reacting to the latest rumors about whether the Federal Reserve will or won't cut interest rates.

Marks' forecast turns, of course, on the likelihood of sales' sagging by as much as he expects. The weight of available evidence favors his case. Despite occasional pieces of good news (example: industrial output was pushed up in August by strength in the auto sector), the economy is generally weak.

Remember, too, that federal, state and local government purchases are at their lowest share of the economy since World War II; over time that's good, but right now it is taking spending power out of a feeble economy. And the Federal Reserve continues to keep money tight.

Job formation is already slowing a bit, and a significant downturn in profits growth could slam on the brakes. In the first eight months of 1994 the economy added an average of 480,000 jobs a month. In the same period this year the number is down to 150,000 a month.

What's developing is a spiral straight out of Macroeconomics 101: Reduced sales squeeze margins and hit profits, which makes it harder to justify adding new workers, which reduces national spending power, which reduces sales, which. . . .

Look for capital spending to weaken, too: The rapid growth rates of 1993 and 1994 have already eased a bit. To some extent this is inevitable—20% growth rates are not sustainable for very many years running. One concern is that cash flow, the best indicator of future capital spending growth, seems to have hit a peak in the first half of this year.

If Marks is right, the economy may be in a recession by the end of next year.

No downturn—yet

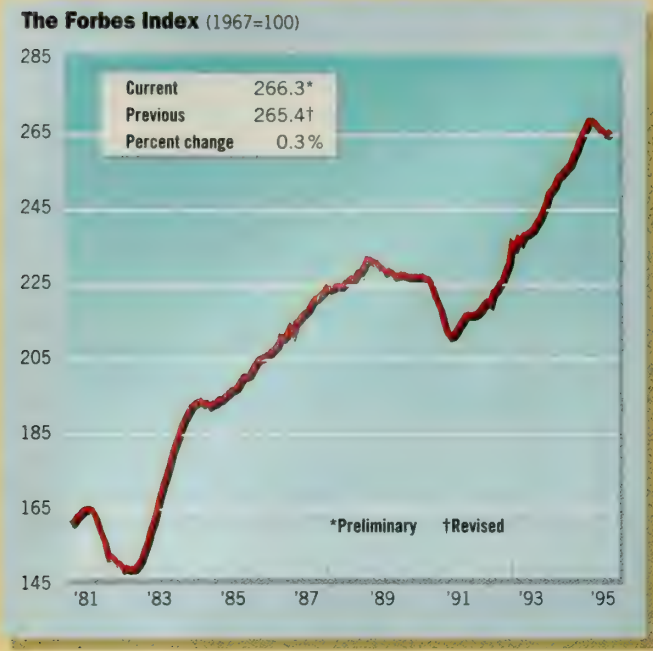
U.S. pretax profits* ($billions at annual rates)

*Includes adjustments for inventory valuation and capital consumption
†Receipts from U.S.-owned operations abroad, less profits paid to foreign companies from their operations in the U.S.
Source: Bureau of Economic Analysis

Profits growth has slowed from 15% to 20% to a second-quarter 4% rate.

THE FORBES INDEX

BY SHLOMO Z. REIFMAN



More signs of low inflation: Despite a pickup in automo bile sales, total retail sales for August 1995 grew at meager 0.6% over July, compared with 1.4% growth i August 1994. And installment credit rose just 0.9% i July, versus 1.2% in June. For retailers this holiday seaso Tracy Mullin, president of the National Retail Federatio in Washington, D.C., forecasts another modest 5%-to-6 expansion in sales. "Holiday consumers will be very cau tious in what they buy and how much they spend," pre dicts Mullin.

Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	8.75%
Auto sales year to date vs 1994[1]	Ward's Automotive	-1.7%
Index of leading indicators July vs. June	Dept of Commerce	-0.2%
Trade balance[2] 12 months ended June 1995	Dept of Commerce	-$120 b
All-commodity producer price index[3] Aug vs July	Dept of Labor	-0.2%
GDP 2nd quarter vs 1st—annualized growth	Dept of Commerce	1.1%
M2[4] (3-month change)—annualized growth	Federal Reserve	7.8%

[1] U.S.-based manufacturers, excludes imports, as of 8/31/95. [2] Total goods and services. [3] Wholesale goods [4] Includes M1 (public currency and checking deposits) plus savings accounts and money market fund

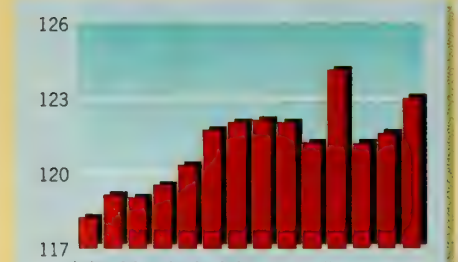
Index components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: The cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total industrial production, new housing starts, personal income, new claims for unemployment compensation, total retail sales, total consumer installment credit.

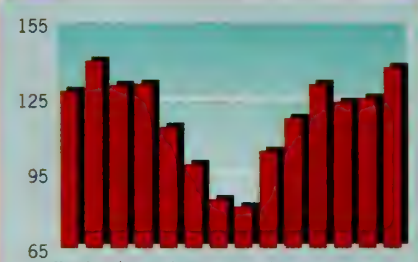
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented in these charts.

Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

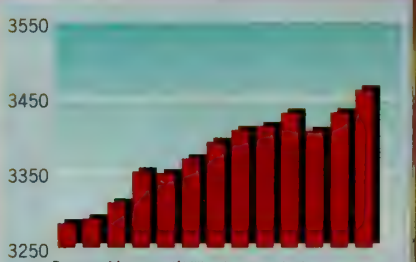
Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)



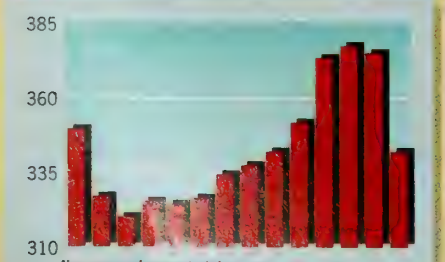
Industrial production index (1987=100), seasonally adjusted (Federal Reserve)



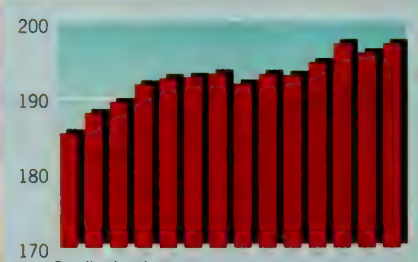
New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



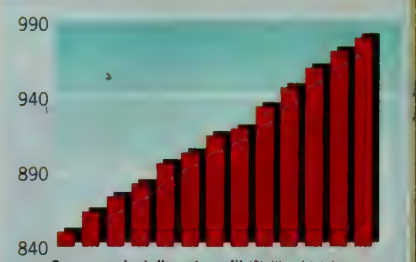
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)



New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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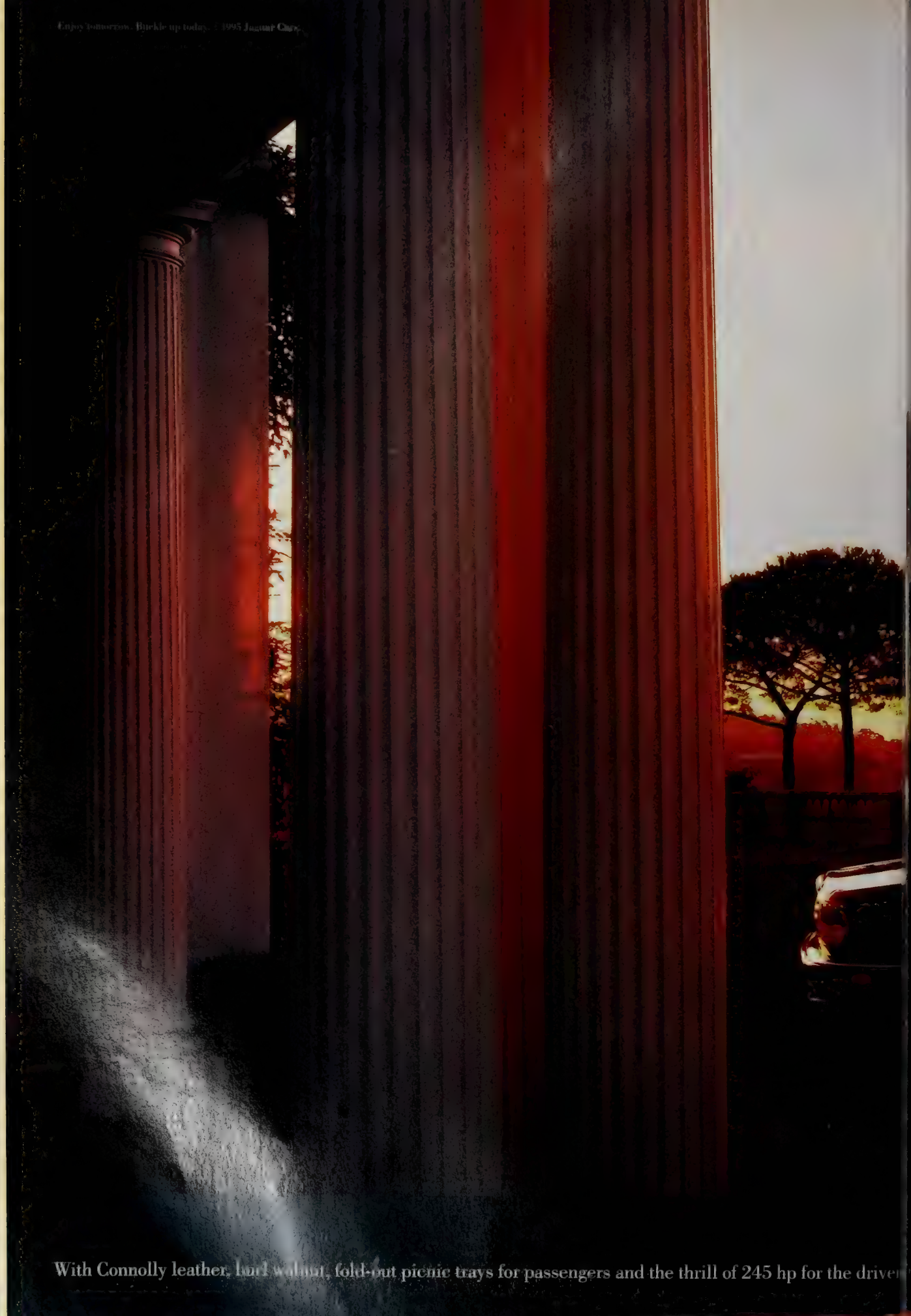

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JAGUAR

Vincent Naimoli became rich cashing in on fast turnarounds, but with Harvard Industries he's planning to stay for the long haul.

A designing strategy

By Phyllis Berman

Harvard Industrie
Vincent Naimoli i
mirror he makes
Bond buyers turned out. Nex stockholders?

IT WAS A HOT, muggy noon in July, but that didn't deter some 150 Wall Street types from crowding into the West Foyer Room at Manhattan's Waldorf-Astoria. They were there to listen to Vincent Naimoli, 58, an unprepossessing, somewhat rotund man with a reputation for a hot hand in LBOs.

Naimoli engineered one of the most sensational LBOs of the 1980s. With backing from William Simon's Wesray he bought the glass-container division of Anchor Hocking, turned it around and sold it within six years for 234 times what he had paid. Naimoli alone made $21 million on the deal. He and the management of Anchor Glass got back about $23,000 for every $1,000 they invested.

Other deals followed, not as spectacular, but all highly profitable, making Naimoli very rich and his backers very happy.

But the Wall Streeters had come to the Waldorf not to hear Naimoli recite history but to hear him pitch his latest deal. This one wasn't an LBO. It was a bid to become a major player in the auto parts business. Having demonstrated his prowess as a turnaround artist, Naimoli was ready to show he could build a business.

The deal involved two auto supply companies where Naimoli already serves as chief executive: Harvard Industries (revenues, $650 million) and Doehler-Jarvis ($300 million). Harvard is a Tampa, Fla.-based manufacturer of things like weather stripping for car doors, cooling fans for engines and covers for cylinder heads. Doehler-Jarvis is the largest independent maker of aluminum die castings in the U.S.

Both are now profitable but were in trouble when stockholders and bondholders brought Naimoli in. He turned both companies around, but this time he's not planning to cash out as he has done in the past. In late July he arranged to merge the two and he plans to move out from there, keeping the Harvard name. "With Doehler-Jarvis in the fold Harvard Industries now has a critical mass," he explains. "I want to make this business grow. I think I can make it one of the few survivors in the fast-consolidating auto parts business. Together they're already one of the top 30 in the market."

Fifteen years ago, Naimoli estimates, Ford Motor dealt with 2,200 suppliers in North America. Today it deals with 1,500, and by the year 2000 it will probably be down to half that. Naimoli fully expects Harvard Industries will be one of those. Others, he says, will be Standard Products, Excel Industries and Magna In-

A kid from Paterson

VINCE NAIMOLI, an unpretentious man, sees himself as a "kid who grew up on the streets of Paterson, N.J." His father, the son of Italian immigrants, was employed by the New York City subway system. As a boy Naimoli suffered from asthma; his father paid his medical bills by doing chores in the evening for his doctor. When Naimoli was doing homework at the kitchen table, his dad worked beside him, studying for his high school equivalency diploma and then for his license to become a maintenance engineer.

Thirteen years ago Naimoli, then 45, was an executive at Anchor Hocking, running the division that made liquor bottles and mayonnaise jars. The glass jars were losing ground to plastic and metal, and Naimoli's bosses were thinking of shutting down the division.

Then Naimoli read about leveraged buyouts in FORBES. He learned that former Treasury Secretary William Simon and his partner, Raymond Chambers, were doing these deals through their Wesray Corp. Would Simon and Wesray back him by buying the slipping glass jar business? Simon would, and Naimoli took out a second mortgage on his home to buy shares in the deal.

It was a resounding success, but after cashing out, Naimoli was at loose ends. He was doing some restructuring for other Simon companies and turned around Wesray vacuum cleaner makers Electrolux and Regina, earning $2 million from fees and success bonuses. Despite such handsome pay, he now laments, "I didn't ask for a chunk of equity. I only learned [to do] that later."

But Naimoli's reputation as a turnaround whiz grew. Bondholders with failed LBOs on their hands began to seek him out, and now he knew enough to demand equity stakes as well as fees and success bonuses. Thus when Doehler-Jarvis merged with Harvard Industries earlier this year, Naimoli made $14 million, not counting his fees and bonuses. Today the subway worker's son can virtually write his own ticket.

"Look, I'm not doing this for the money," he says. "I've made more than I ever dreamed about having. I'm driven to do it. I grew up in an environment where you worked all the time."

Playing around a bit, Naimoli has brought an expansion baseball team to Tampa, an undertaking for which he and seven partners—Florida's movers and shakers—came up with $86 million in cash. Naimoli kept a piece of the deal—this time the biggest single share. —P.B.

ternational. What these potential survivors have in common, he says, are outstanding design capabilities.

"In the 1970s and 1980s," Naimoli tells FORBES, "the only concern for the auto companies was getting the lowest-cost components—they designed their own. But the car companies no longer give us blueprints. We do our own designs in collaboration with the automakers."

Take, for example, weather strips. In a single car there are usually 22 around doors and windows. In the old days drawings would go out from a car company to perhaps five manufacturers. Each would be asked to supply four weather strips for the vehicle, according to the manufacturer's designs. Today, using its own technology, Harvard can design and test weather strips itself. In return for bringing its own technology to bear on the process, Harvard expects and gets the contract on all 22 weather strips in a vehicle.

Naimoli foresees the day when suppliers will have to go beyond such things as weather stripping to make several parts of the door, like the sash—the metal that goes around the window. "Those who can design larger pieces of the total vehicle will end up survivors in this industry," says Naimoli.

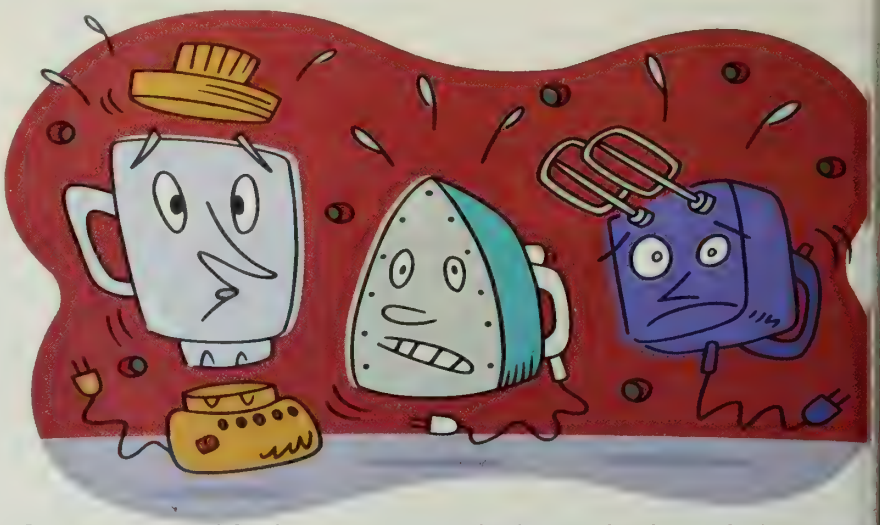
Doehler-Jarvis has particular promise. Today almost all car engine blocks in Japan and Europe are made of aluminum rather than the cast iron that is still used here. Naimoli thinks more U.S. companies will soon turn to aluminum blocks and Doehler-Jarvis will be ready. In fact, he already has an order from a U.S. automaker that doesn't want to be identified.

While junk bond buyers know and admire Naimoli, Wall Street is just beginning to buy his auto parts concept. The Street's in no hurry to get the drift as it continues to anticipate a downturn in the auto business. At $24 a share, Harvard's 7.2 million shares have a market capitalization of only about $173 million. Add to that $350 million of net debt and preferred shares. Divide by the cash flow—$110 million—and you find that the company is selling for 4.8 times cash flow. Investors are being very shortsighted if they judge this company by its unhappy past. ■

While Michael Price was taking bows on the Chase-Chemical merger, his stake in Sunbeam Corp. was taking a beating in the kitchen.

Kazarian's revenge

By Matthew Schifrin



CELEBRITY mutual fund manager Michael Price has been taking the bows for his role in pushing Chase Manhattan Bank into a proposed merger with Chemical Bank, a deal that has created $300 million in profits for shareholders in Price's Mutual Series funds.

At the same time, however, and almost unnoticed, Price and his shareholders were taking it on the chin in another big investment: Sunbeam Corp. In 1990 Sunbeam had been one of Price's biggest coups.

Since last October Sunbeam's shares have fallen 41%, from 26 to 15¼. Based on the amount of Sunbeam's stock in the Mutual Series funds today, it has seen a paper profit of $428 million cut by $189 million. That translates into a loss in the net asset value of more than $2.40 per share for investors in Price's Mutual Shares fund alone.

Remember Sunbeam? It was the heart of Allegheny International, the conglomerate that went bankrupt in 1988. Price, hedge fund manager Michael Steinhardt and investmen banker Paul Kazarian bought gobs o Allegheny bank debt, and Kazaria was installed to turn the compan around. Renaming the company Sun beam-Oster and focusing on house wares and outdoor furniture, Kazar ian boosted the value of his partner stake by over $1 billion.

And then? They fired him in Janu ary of 1993, citing his hard-drivin manner and erratic behavior. Kazar ian claimed darker reasons, but n matter. He walked away with $16 million and later launched an unsuc cessful effort to take over failing Bo den (FORBES, *Sept. 12, 1994*). Bu Kazarian is not your forgiving sort.

Still bearing his grudge, he ha been attacking Sunbeam on the Inte net. According to the Japonica Inte active Network at *japonica.com* o the World Wide Web, one of Sun beam's biggest franchises, the kitche appliance market, is hurting. Not co incidentally, Japonica is the name o Kazarian's investment partnership.

According to Japonica's Internet report, Sunbeam's share in the domestic blender market has fallen from 39% in 1992 to 31% in 1994. Rival Hamilton Beach/Proctor-Silex is now in first place with a 43% share, up from 26%. Japonica also says Sunbeam's electric can openers have dropped from 12% of the market to 7%, and food processors from 20% to 12%.

Is Japonica's information correct? Yes. FORBES confirmed the data with the trade publication *Appliance Manufacturer*, and also learned that Sunbeam was losing market share in other houseware categories, like irons and mixers. Such household appliances accounted for $645 million of Sunbeam's $1.2 billion in sales in 1994.

On the high end of the kitchen market, competitors like Cuisinart, KitchenAid and Braun have eaten into Sunbeam's franchise, while at the lower-priced end, new competitors have pushed in. Sunbeam's operating margins have sunk from 16% a year ago to under 10% recently.

Sunbeam's cash is under strain, too. Bradlees' bankruptcy caught Sunbeam with $5 million owed. Caldor's filing could make things worse. At the end of 1992 Sunbeam had cash of $231 million. By July 2 it was down to $23 million. Much of the cash drain was from building a highly automated new factory in Hattiesburg, Miss., leaving less for new products, which are crucial to increasing market share. To boost earnings the company has been cutting back on its reserves and advertising. According to LNA-Mediawatch, Sunbeam's national advertising has fallen from $9 million in 1993 to $1 million for the first six months of this year.

Kazarian's successor, Roger Schipke, puts the blame for these setbacks squarely on his predecessor. "When I got here there was little or no investment in the business," Schipke says. "We are rebuilding things. I suspect we will regain market share." Says big shareholder Michael Price: "The company is well run, and we think the stock is cheap."

But Kazarian keeps up the pressure while the industry waits for what it expects will be his next step: buying control of a smaller competitor and trying to hit Sunbeam where it really hurts. ■

An object lesson in what happens to businesses that fail to understand change, Friendly's restaurant chain faces an unfriendly future.

A blah personality

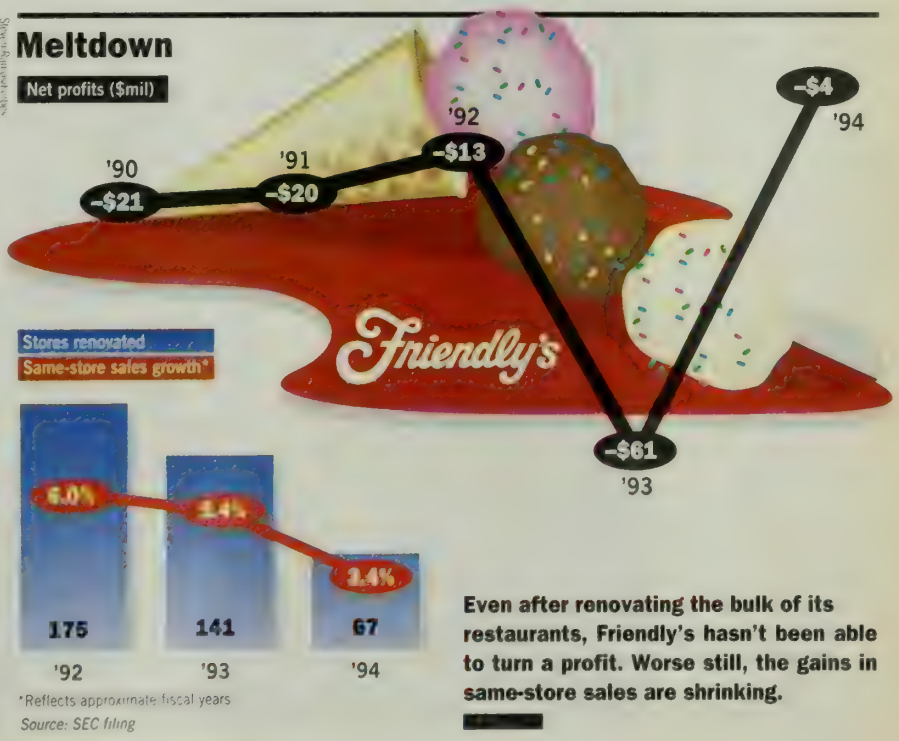
By Thomas Easton

DAVID SUMMERLIN drives past the local Friendly's Restaurant on Route 1 outside Guilford, Conn. dozens of times a day. He never turns in, not even for a scoop of the excellent ice cream. "It's slow service for fast food," complains the insurance salesman.

Time was when Summerlin was a regular. In the early 1980s the Friendly's chain had Guilford and many similar old villages pretty much to itself. Competition was a few family-owned restaurants and a Howard Johnson's with a slightly broader menu and a similarly prominent ice cream counter.

Today Howard Johnson's is mostly gone (FORBES, *Dec. 30, 1985*), and the same fate threatens Friendly's. Herein lies an object lesson for all manner of business. Friendly's is dying, not from terribly sloppy management but from a far more insidious disease: an inability to adapt to changing tastes and more focused competition.

In 1979 the founding family sold the chain to Hershey Foods Corp. Hershey added almost 250 outlets, bringing the total to 849, and tried to use the restaurants to sell Hershey's ice cream and candy. But Hershey gave up and in 1988 sold Friendly's in a leveraged deal to the Restaurant Co., a private company led by Donald Smith, who'd been an executive at



Even after renovating the bulk of its restaurants, Friendly's hasn't been able to turn a profit. Worse still, the gains in same-store sales are shrinking.

Steven Burns

Restaurant row in Thornwood, N.Y.
Guess what restaurant they are not going to.

McDonald's. Smith shut 123 stores and began marketing Friendly's brand-name products to stores. In the remaining restaurants, he fiddled with color schemes and menus and price specials but avoided fundamental change.

The result? New paint on the walls, more items on the menu, better training for staff, and Friendly's frozen desserts in local supermarkets—but little improvement in the numbers. Donald Smith has discovered that just fiddling was not enough.

Today a Friendly's restaurant generates only $798,000, versus $1.8 million for a McDonald's, though many of the restaurants are of comparable size.

Customers grazing along Guilford's Route 1 now have as many choices as there are tastes. Friendly's can't compete in fast service with fast-food outlets, nor can it match them in price: A heavily promoted $2.22 Friendly's breakfast competes with a $1.99 version at Denny's a few towns away. McDonald's won a long battle with local zoning officials to open up down the street. Wendy's has arrived, as has a Greek diner with encyclopedic menu offerings. Even Friendly's core franchise of ice cream is being challenged. Ashley's, a "gourmet" ice cream parlor with a multitude of fans, moved in directly across the street.

Fast-food restaurants, with customers that effectively serve themselves and bus their own tables, require far less labor than a sit-down restaurant like Friendly's. Yet Friendly's average check size is less than $4.50, not much higher than a fast-food restaurant. With small checks and correspondingly small tips, Friendly's has trouble keeping good employees.

One notch higher in price are a profusion of chains that have seen huge growth in recent years such as Olive Garden (Italian), Red Lobster (seafood), Chili's, Outback Steakhouse (steaks), Applebee's and so on. These nicer restaurants than Friendly's flank it at one end of the market while the fast-food joints hem it in on the other.

And there sits Friendly's, neither truly fast food nor truly place where you take a da for a night on the town. Or recent morning in Thor wood, N.Y., Jerri and J Rugani, both recently r tired, ignored a special McDonald's of two Big Ma for $2 in favor of a Friendly across the street, where th spent an hour lingering ove small meal. "With all the hu tle and bustle, it's nice to fi a place that's kind of empty. said Mrs. Rugani. "Its ti has gone—but that is wh I enjoy."

But that's not what ma agements or employees e joy. Friendly's revenue $631 million during t most recent fiscal year, ha been expanding at only 4.7 annually since 1990, belo nominal GDP growt McDonald's, from a muc bigger base, has grow at 8.5%.

Combine heavy fixe costs with relatively sta nant revenues and low ave age checks, and you are i trouble. Friendly's has been unable t produce sufficient earnings to servic the $363 million in long-term de incurred since the leveraged buyout

The company failed to float a jun bond refinancing last year. It's tryin again. In July it filed preliminary do uments with the Securities & E change Commission, but its manag ment now believes the market is u likely to accept the offerin According to the filing, Friendly expects to be in violation of its exis ing credit agreements during th fourth quarter.

Looking back, it's easy enough t see what went wrong: Instead of ju repainting the place, Donald Smit and his backers should have pe formed major surgery. They shoul have surveyed each of their location and decided how best to use it: a full service, fancy restaurant here, fast-food franchise there, a stylized ic cream parlor somewhere else. Tha would have involved risks, but in de ciding on only marginal change Smith may have risked and lost th company. ■

Stanhome garners a half-billion a year from selling such things as Cherished Teddies and Mary's Moo Moos to Americans. Can it persuade the English and other foreigners to buy the cuddly things?

"Okay, big mouth"

By Matthew Schifrin

G. WILLIAM SEAWRIGHT got his job as chief executive by making a nuisance of himself. Says he: "I used to scream and pound the table and say: 'Goddamn it, let's use the power of our brands and our marketing,' but the old management wouldn't adapt. I made such a fuss the board finally turned to me and said: 'Okay, big mouth, go fix it.' "

So he is fixing Westfield, Mass.-based Stanhome Inc. Long known as Stanley Home Products, Stanhome is an odd outfit whose nearly $800 million in annual revenues comes from selling collectible geegaws and from direct selling of household cleaning fluids. Stanhome's problem was that its old, basic business was dying, and Seawright worried whether the company was aggressive enough in pushing its newer business.

Seawright joined Stanhome's board in mid-1990 as an outside director at the urging of his friend, Robert Widham, also an outside director. Widham felt that Stanhome needed a director with international marketing experience. Seawright, 54, had that experience from 25 years at Heublein, where he rose to be in charge of overseas sales of such brands as Smirnoff vodka, J&B scotch and Bailey's Irish Cream liqueur.

Stanhome was founded in 1931 by a former Fuller Brush salesman, Frank Stanley Beverage, who got the clever

Stanhome Chief Executive G. William Seawright **What's the difference between a gift and a "collectible" item? "Lots of profit."**

idea of selling home cleaning products like mops and degreasers to groups of housewives at parties rather than door-to-door as Fuller did. It was a big success, and his alumni went on to start Tupperware, Mary Kay Cosmetics and Home Interiors.

But, in time, big retail chains like Kmart kiboshed Stanhome's domestic business by selling similar products at deep discounts. Overseas its direct selling boomed; at home Stanhome had made a brilliant acquisition.

This was Chicago-based Enesco, which made and still makes "Precious Moments"—a line of cheap porcelain figurines inscribed with scriptural messages. In a nation enjoying a religious revival of sorts, the figurines have become big business. Stanhome now sells around 10 million a year—retail priced at $25 to $35—and hundreds of thousands of Americans have become collectors. There is even a Precious Moments chapel in Missouri to which collectors make pilgrimages.

What ticked off Seawright was that Stanhome management didn't seem to realize what a jewel it had in Enesco. And they weren't moving abroad fast enough. The board decided Seawright was right. In November 1993 its chief executive, Alex Diaz Vargas, was replaced by Seawright, who had quit his job at Heublein.

Seawright pulled out of direct selling in the U.S. by licensing its products. The old business was a cash cow that had run dry. "I had to shoot it," he says. He took a $17 million writedown in the third quarter of 1993.

International direct selling was a cow that still gave plenty of milk: $200 million in sales in countries like Italy and France. But it was those little porcelain children and cherubs with big, pathetic-looking eyes that held the key to Stanhome's future. Most of the figurines and decorative plates are manufactured cheaply in the Far East. They can be sold at a low price and still command handsome margins.

The artists who design these pieces are salaried employees. One of the hottest new products is a line of cow figurines called Mary's Moo Moos; in 1994 Stanhome sold over $10 million worth of these dairy cows in a variety of rustic poses. But the in-house artist who created them, Mary Rhyner-Nadig, didn't get rich. "She got a good bonus," offers Seawright. "And she has great job security."

Stanhome gets behind its collectibles with some very smart promotion that is similar to its original concept of selling through parties. It arranges cruises and parties at which collectors can swap figurines while being entertained by celebrity performers like Pat Boone. It also sponsors seminars, membership clubs and newsletters for collectors, Mary's Moo Moos fanciers having their own newsletter. This helps raise the figurines from being just a gift shop impulse item into a near-obsession. Seawright understands that words like "limited edition" and "collectible" command higher prices because they create the illusion of resale value. Besides, a series has to be complete for any value to exist. So, once started, customers must keep buyir Says Seawright of his customers' loy ty: "It is like an annuity."

Does anybody need the darn things? Not really, but people seem want them. "I can hardly mention o Cherished Teddies with a straig face," Seawright confesses, "but he we sell $60 million of them a year."

Seawright figures that foreign aren't all that different from America when it comes to their vulnerability a good marketing pitch. He means prove his point. "Outside the U.S. ar Europe we do less than $3 million giftware business—t whole rest of the world," says, noting the growin middle classes and the fra mented nature of the co lectible business. Seawrig claims giftware revenues w increase to $1 billion with five years.

To get there faster, Se wright is acquiring ne lines. Among his purchas are two companies in th U.K. One, Lilliput Lan makes miniature replicas English cottages. The ot er, Border Fine Arts, mak high-end animal sculpture More recently, he has ha talks with Spain's Llad family about buying the collectibles business, know for its high-quality craft manship of such figures ballerinas, brides ar grooms, and young mai ens. To build a war chest f expansion, Stanhome h arranged a $200 million r volving credit line. Its ba ance sheet is pristine, with no lon term debt, $40 million in cash and $5 million in annual cash flow.

Already giftware and collectibl generate around $550 million of Sta home's $790 million in revenues ar $73 million of the company's $8 million in 1994 operating profits. 1994 Stanhome earned $44 million net profit, or $2.25 a share. In th year's first half, $0.93. But Seawrig figures you haven't seen anything ye If the rest of the world clasps to i bosom Americanisms like Disney, blu jeans, rock music and Coca- Cola, wh not Mary's Moo Moos? ■

English cottage by Lilliput Lane

Is there a global market for geegaws?

A spin-out is not the same as a spinoff. On that subtle distinction George Hatsopoulos has built Thermo Electron into a unique and highly successful business.

Making the kids stand on their own

By Norm Alster

Thermo Electron's founder and chief executive, George Hatsopoulos
Will propane flashlights be a tougher sell than spectrometers?

EARLIER THIS YEAR executives of Waltham, Mass.-based Thermo Electron and its publicly traded spin-out Thermo Power Corp. prepared to hit the road for a money-raising effort. They needed $15 million for final development and testing of a long-life, propane-powered flashlight. But the trip was unnecessary. When word got out that Thermo Electron wanted money, offers started pouring in for more money than was needed.

It probably could have been a propane-powered mouse-trap. When Thermo Electron asks for money, investors thrust it on the company. And why not? In the past dozen years the technology greenhouse company has made public offerings of 12 businesses it started. On average, the return to investors has been over 30% a year.

Thermo Electron isn't so much a company as a family of

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Thermo Electron Chief Financial Officer John Hatsopoulos

Most chief executives spin off their failures. He and his brother "spin out" their successes.

companies. There are 12 Thermos. Among the biggest: Thermo Instrument Systems (instruments to detect air pollution, toxic substances); Thermo Fibertek (processing machinery for papermaking); Thermedics (biomedical products and instruments to detect explosives). The parent, Thermo Electron, manufactures biomedical, environmental and health equipment and owns varying shares of the other Thermos, ranging from 50% to 86%.

Like a good parent, Thermo Electron takes care of its kids until it feels they are ready to go out on their own—and out

When Thermo Electron asks for money, investors thrust it on the company.

they go. This is an efficient way to develop businesses. The parent, in effect, puts in the early seed capital, but when a new business starts requiring serious capital, it's on its own.

Does the system work? Does it ever. A decade ago Thermo Electron did $286 million in revenues and earned 42 cents a share. Last year its consolidated sales were nearly $1.6 billion, its earnings $103 million. Book value was $1 a share a decade ago, nearly $12 last year. Revenues should grow another 25% this year, and in the first half, earnings per share were up 23%. The stock has appreciated nearl eightfold in the last decade. Smith Barney analyst Jonatha Cohen says Thermo Electron has generated one of th best long-term growth records of any company, an should do in excess of $5 billion early in the next century

The men behind this unusual company are Chief Execu tive George Hatsopoulos and his brother John. The tw are as smart about finance as they are about technology.

When Thermo sells minority shares to the public in on of its emerging businesses, these operations may be margin ally profitable or even running losses, but given the parent' reputation for successful launches, they command the hig multiples accorded high-tech IPOs. In short, after havin gotten the thing off the ground, Thermo turns to the publi market to finance it, while the parent continues to own majority interest. Thermo Electron thus simultaneousl lowers its cost of capital and establishes a richer valuation fo the majority stake it continues to hold. For example, i February Thermo Electron spun out 15% of Therm Ecotek, operator of electric power generators, at $12.75

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share, for $30 million. This left the parent with an 83% stake then worth $168 million (recent price, $16.25).

The Hatsopoulos system has another strength: It rewards innovators. When it sends one of its corporate offspring out on its own, the brothers turn the management over to the people who developed the technology, binding them to Thermo Electron and discouraging them from striking out on their own. "No developer or entrepreneur has ever left Thermo Electron," claims George Hatsopoulos. "It's our position if someone has the entrepreneurial drive to create a new business, we help them."

Here's a case history: In 1983 Thermedics, Thermo's first IPO spin-out, raised $6 million. At the time Thermedics had no real revenues, except for a grant from the National Heart Lung & Blood Institute to develop an implantable heart-assist pump that Victor Poirier began developing in 1966. NHLBI's funding was drying up, and Poirier was thinking of leaving Thermo Electron. By bringing the little business public, Thermo was able to make Poirier chief executive and give him options on 20,000 shares of Thermedics stock. "I probably wouldn't be here if it hadn't happened," reflects Poirier.

As it was, the Thermedics prospectus warned of substantial operating losses to come. Going public was a variation on the old joke about going public or going broke. It enabled Thermo Electron to retain 4.2 million shares (86.6%) of Thermedics. Suddenly a jeopardized development project (along with a synthetic material with negligible sales) was valued at $40 million.

By 1989, though the heart pump had not yet gained Food & Drug Administration approval, it was far along, and Thermedics had developed profitable new businesses in biomaterials and explosives detection. Now Poirier wanted to work full time on his heart pump. Solution: Another Thermo baby was launched. Thermedics spun out Poirier's project as Thermo Cardiosystems, selling a 40% stake to the public, giving Poirier $15 million in development capital for his pump and at the same time valuing the project at $37 million—25 times revenues.

Lofty as it sounds, that price may not have bee outrageous. Poirier's device was approved by the FDA f patients waiting for heart transplants. The left-ventric assist device helps weak hearts keep pumping, giving life t many patients who might otherwise die among the 50,00 patients who could benefit from the 2,000 donor hear that become available each year. Thermo Cardiosysten should approach $100 million in revenues in 199 reckons Gruntal & Co. analyst Jeffrey Robins.

Investors who "overpaid" for Thermo Cardiosysten in 1989 have seen their shares rise from a split-adjuste price of $2.27 a share to a recent $41.50.

"It's our position if someone has the entrepreneurial drive to create a new business, we help them."

For another example consider Thermo Instrument Sy tems, a $662-million-a-year maker of such instruments mass spectrometers and chromatography equipment, used chemical analysis. Thermo Instrument has made a profitab practice of buying small, laggard companies and makin them shine. When Thermo Electron raised $12 million f Thermo Instrument in its 1986 IPO, it was doing so to pay f an acquisition, Allied Analytical, a maker of atomic absor tion spectrometers. Allied wasn't doing well, and so it cam relatively cheaply. Thermo Instrument Chief Executive A vin Smith soon had the business thriving, and the pri proved to be a bargain. Smith made some 20 other buyout many acquired for less than $1 per sales dollar. Therm Instrument now carries a market cap of nearly three tim sales, and its original shareholders have realized a compoun annual return of 30% since 1986. It's the execution after t arbitrage that makes Thermo hum.

John Hatsopoulos says dozens of the top 100 U.

Thermo, as in hot

Spin-out	Revenue ($mil)	Market cap ($mil)	IPO date	IPO price	Adjusted IPO price[2]	Closing price 9/14/95	P/E[3]
Thermo Electron	$1,585	$3,863	10/67	$15.50	$0.68	46½	28.7
Thermedics	155	641	8/83	9.50	2.53	19	41.3
Thermo Instrument	662	1,902	8/86	8.00	2.37	26¼	25.7
Thermo Process	134	204	8/86	6.00	2.78	11¾	33.6
Thermo Power	89	214	6/87	8.50	8.50	17¼	52.3
Thermo Cardiosystems	10	966	1/89	8.50	2.27	41½	153.7
Thermo Voltek	24	70	3/90	1.12[1]	1.12	16⅞	35.9
Thermo Trex	91	665	7/91	12.00	8.00	35	134.6
Thermo Fibertek	163	703	11/92	8.00	8.00	26	40.0
Thermo Remediation	30	181	12/93	12.50	8.33	14¾	31.4
ThermoLase	19	867	7/94	6.00	3.00	21⅝	NA
Thermo Ecotek	134	252	2/95	12.75	12.75	16¼	22.9
ThermoSpectra	42	192	8/95	14.00	14.00	18¼	38

[1]Price at time of acquisition. [2]Adjusted for stock split. [3]Based on estimated 1995 earnings from IBES. NA: Not available or applicable.
Sources: Thermo Electron, IBES Inc.

Of Thermo Electron's offspring, Thermo Power is the laggard, having merely doubled in share price over 8 years. Not ThermoLase—$3 to $21 in 14 months.

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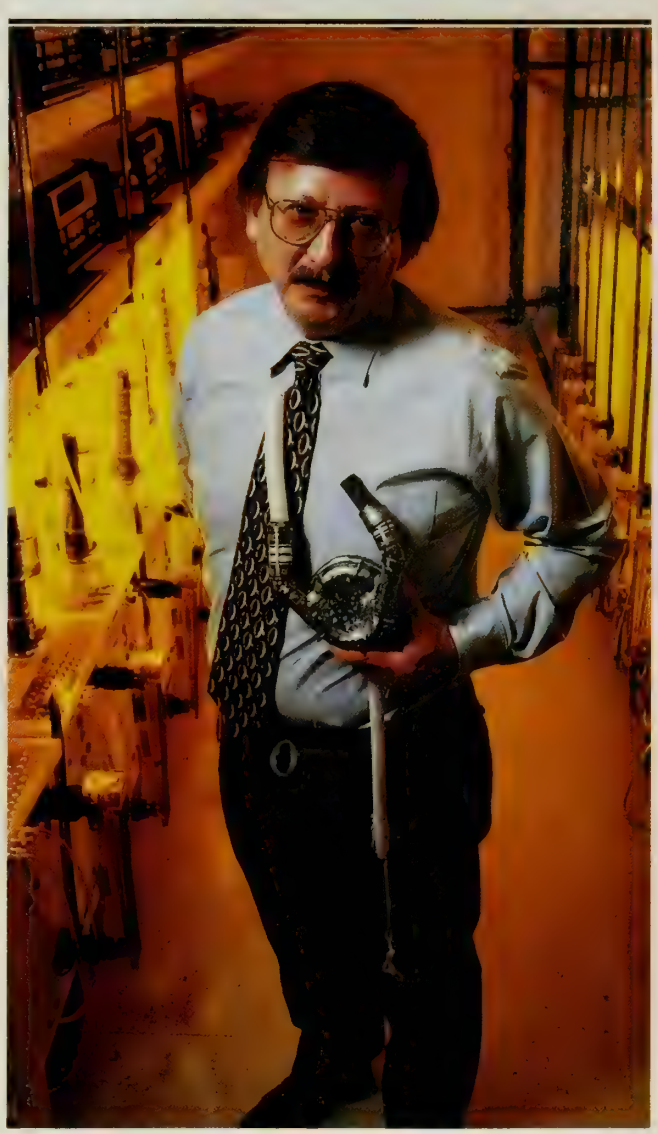

Sam Rasch

Heart pump developer Victor Poirier

What if Thermo hadn't spun his operation out? "I'd probably be gone."

corporations have sought Thermo's counsel on adapting its strategy. But most will fail, he predicts, because they go about it the wrong way. "People traditionally spin off things they don't want. They want to get rid of them. They want to cash in. We spin *out* our best ideas."

Hatsopoulos is careful to use the term "spin-out" to distinguish it from spinoff, because Thermo Electron isn't cutting ties to its children; it's only getting them to stand on their own. John believes most companies will fail at this because chief executives are afraid to let their most promising businesses go. No such fear infects George Hatsopoulos because as a founder and major shareholder, he still owns big stakes in the spin-outs. "A hired hand," brother John says, "is worried about losing his job."

For all its brilliant successes, Thermo Electron faces some daunting challenges. Thermo Instrument, despite its impressive record of growth, is in many mature markets and is finding fewer bargains to buy and fix up.

With almost half its business slowing, are Thermo El tron's glory days almost over? It depends upon whetl management can keep up its successful record. Ther Thermo Cardiosystems' heart pump, and ThermoLase hair removal and what's called exfoliation, the removal outer skin layers to create a more youthful appearance.

None of these are guaranteed successes. A problem w these hair and skin products is that they take the Therr people into strange territory for them: consumer marke George Hatsopoulos allows: "It's very dangerous to into a business you don't know. Trying to depend hiring the right people is not going to help you mu because you don't know how to select them."

Asked how he has evaluated managers in the pa Hatsopoulos says he examines their pricing. Manag who get more for a product than the competition presu ably have a superior product. "That's the best indicati they're doing a good job," says George. But that does always work in consumer markets: Sometimes it's t glitziest and best-promoted product that wins, not t best quality. Thermo Power, for example, hopes to char $50 for its propane flashlight, but even professionals li plumbers and electricians may balk at paying $50 to sav few battery changes. Gauging demand in mass consum markets involves an entirely different set of problems anc tougher than studying the needs of a dozen industr buyers. Advertising will also be unfamiliar terrain.

In short, picking winners may be tougher for t brothers in consumer products than in industrial a scientific products.

Fortunately, fundamentals are improving for other spi outs. Thermo Fibertek will benefit from increased use recycled fiber in paper production—90% of planned pap industry expansion will use recycled fiber, and Fibertek h superior de-inking technology. Increased security concer after the Oklahoma City bombing should benefit Therme ics' explosives detection business. Thermo Voltek's testing electronic devices for immunity to electromagnetic interf ence gains from the global standardization of regulations.

As a boy in Greece, George Hatsopoulos had seve uncles and cousins who'd succeeded in technical fields b failed in business. George vowed to succeed at both—a he has. After earning degrees in engineering and therm dynamics at MIT, he founded Thermo in 1956. He th dazzled the business world with a master plan of busin

Picking winners may be tougher in consumer products than in industrial and scientific products.

and finance as well as technology. A bet on Thern Electron is, as it has always been, a bet on Hatsopoulos, f based on its earnings, it's not a cheap stock.

At this year's annual meeting in Hilton Head, S.C., Jo Hatsopoulos unveiled a chart. It outlined the compan goal of attaining 30% average growth in annual operati income for the next five years. A tall order, but it suggests t Hatsopoulos boys haven't lost their zest for business or th skill at pulling spin-outs from their corporate hat. ■

Jim Wilhite, Human Resources Manager, M.W. Kellogg

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Korean companies seem to be making the same mistake the Japanese made—overpaying for U.S. assets.

What's in a name?

By Damon Darlin

LAST YEAR Korean companies invested nearly $414 million in the U.S. This year the figure will easily exceed $1 billion. In a sense this shows how strong and rich South Korea has become. It also shows how much its investors have to learn.

By and large Koreans don't have a lot to show to date for their U.S. investments: bits and pieces of needed technology and several big and expensive headaches. Although not on the scale of the disastrous Japanese investments in U.S. real estate, golf courses and movie studios, the Koreans are discovering that you can lose money here as easily as make it.

Last year the Hyundai Group paid $150 million for 40% of Maxtor Corp., a computer storage device maker based in San Jose, Calif. Hyundai has since lost around $47 million on that investment. With intense competition in Maxtor's industry, the Korean conglomerate may never make money on Maxtor.

Earlier this year the Samsung Group, Korea's biggest *chaebol* (conglomerate), took a 40% stake in personal computer maker AST Research, but AST is slipping in a slippery business, and Samsung's paper loss on the $377 million investment now approaches $175 million.

The Koreans have fared better when they've made small investments in U.S. companies that can provide them with technology. Samsung, for instance, bought a neglected Milpitas, Calif. defense electronics components company from Harris Corp. in 1993 for $4.2 million. Samsung hasn't made any money on the little company per se, but it has been able to get a low-noise amplifier out of it th improves the quality of Samsung television sets. Says Kyung Wha Kim, an associate director of Samsur Semiconductor in San Jose, Cali "We are not just talking about mal ing money. We are talking about tecl nical need."

Hyundai and Samsung may also c well with the computer memo plants planned for the U.S. Both con panies are experienced semicondu tor manufacturers, and demand f memory is outpacing supply.

Several major Korean investmen here were made in pursuit of brar recognition in the U.S. market, whic makes it possible to charge premiu prices. Korea's manufacturing cos are rising rapidly, along with its ave age monthly manufacturing wage They're being squeezed by relative low-wage countries like Malaysia ar the Philippines.

The obvious solution for the Kor ans is to buy brand names, but the aren't many good names for sale. As result the Korean companies oft must pick up also-rans, hoping th manufacturing expertise will tu them around. Hence Hyundai's i vestment in Maxtor, Samsung's in A Research and Daewoo Group's hol ing in Leading Edge Products, anot er ailing computer maker.

Hence, too, the recent decision LG Electronics, a unit of giant Group (formerly Lucky-Goldst Group), to buy a controlling intere in Zenith Electronics for $351 m lion. Says Nam Woo, president of Electronics North American Oper tions, "We are confident we can rej venate the [Zenith] brand name."

That will take a lot of doing. couple of decades ago the Zeni name stood for quality that peop were willing to pay for. But in rece years it has lost pride of place Japanese brands.

Andy Christie/Forbes

*First six months plus recent major transactions.
Source: Bank of Korea

Korea will invest in the U.S. this year more than half of what it sent over in the past 25 years. But what will they get for their money?

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One of the most powerful companies in South Korea, Posco Steel has had its wings clipped lately.

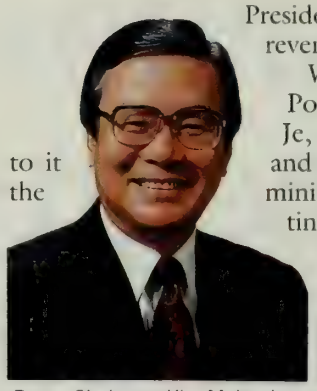
Mixing steel and politics

By Gale Eisenstodt

IN THE LATE 1960s foreign experts gave Korean Park Tae-Joon some sound advice: Stay away from the steel business. It's too competitive. Park thanked the experts and, using Japanese colonial reparation funds, built a mill anyway. He was fulfilling the dream of Korea's President Park Chung-Hee, who believed that local steel production was vital for security. Today Pohang Iron & Steel Co. is the world's second-largest steel producer and, according to J.P. Morgan Securities Asia, the world's most efficient.

The government saw to it that Park Tae-Joon had the port facilities, railways and road access he needed to get his steel business going. More important, the government, which still owns 34% of Posco, agreed to Park Tae-Joon's bold and unusual demand for managerial independence: Park wanted no political cronies staffing senior positions. Pa maintained for two decades close ti with Korea's top leaders. So he pret much got his way.

But as politics helped build Posc so did it do in Park. In 1992 he made bid for Korea's presidency that pu him in direct confrontation with Ki Young-Sam, Korea's current pres dent. In early 1993 Park fled to Japa in the face of corruption charges- President Kim's way of takin revenge.



Posco Chairman Kim Mahn-Je and product

Kim is facing challenges Posco founder Park Tae-Joon never knew.

With Park still in Japa Posco is run by Kim Mah Je, an economist by trainin and a former deputy prim minister. The company cor tinues to prosper in a worl where most nation steel industries are i poor shape. Thanks t the high Japanese ye demand for steel-in tensive Korean proc ucts such as cars, shi and appliances strong. This year Posc will earn over $70 million on record reve

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Its telecom business isn't as smooth.

nues of $10 billion, a sales increase of 9%. Last year Posco became the first Korean company traded on the New York Stock Exchange.

But Kim Mahn-Je faces obstacles that his predecessor never knew. Take telecommunications. By 1999 annual cellular revenues in Korea may reach $5 billion. In a move to expand its power beyond steel, Posco last year vied to head a consortium to build Korea's second cellular network, in partnership with San Francisco's AirTouch Communications, SBC Communications of San Antonio, Tex. and Qualcomm of San Diego.

The Korean cellular business, however, is a quagmire. South Korea's communications ministry is demanding that the consortium use a sophisticated new digital technology known as code divisional multiple access (CDMA). Seoul's bureaucrats hope to use CDMA to leapfrog the Japanese in digital telecommunications.

The problem is that CDMA technology is still unproven. Efforts to get a CDMA system going in the U.S. are stalled. Posco and its partners will probably miss their original targeted launch date of January 1996 by at least a year. This will buy time for established Korea Mobile Telecom, for KMT has permission to convert gradually from its existing analog system to a digital network.

In the old days of Park Tae-Joon, Posco would have brought its political clout to bear, but that clout has diminished—which disturbs its U.S. cellular partners no end. Posco is playing it safe because its own future is in limbo. South Korea is slowly evolving from an authoritarian society to a more democratic one, but Posco was part of the old system and has not yet learned how to live in the new era. Gossip has it that when Korea's companies were vying for control of the cellular consortium, Posco won the support of business leaders by hinting that they might not get all the steel they needed if they didn't go along. Such tactics are unfashionable today.

The government-backed Korea Development Institute is preparin report on Posco due out this mon It may recommend that the gove ment sell its big stake in Posco and its ties to the government. At c point the think-tankers even talk about breaking the company up. W President Kim Young-Sam's popul ity faltering, the government is lik to shy away from any bold moves. the report may not go very far, l Posco's future is going to be a lot l politically privileged than its past.

Sign of the times: In the spr Posco Chairman Kim Mahn-Je in cated he was thinking of diversify Posco into liquid natural gas. Sc thereafter government tax audit descended on Posco, a sure sign official displeasure.

Kim Mahn-Je has tried to chai Posco's hierarchical management s tem into a more Westernized tea based structure. He is streamlin Posco's operations, even trimm unprofitable businesses. But toughest job is not running the cc pany, but adapting it to the r era.

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Melinda Sheppard is avid about her aerobics. But eight years ago, she started getting pains in her left foot. Soon, the pain spread to her hips, then her wrists and ankles. It hurt so much that she could barely walk, let alone work out. "I thought I was going to be helpless for the rest of my life," she says.

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When Thais get thirsty, they reach for a cold bottle of Singha beer. Every time they do, the Bhirombhakdi family's fortune grows.

Foreigners, go home

By Justin Doebele

Photo by Chanchaw Sae

Thais quaffing Singha beers in Bangkok (above); Piya Bhirombhakdi, head of Boon Rawd brewery

Boon Rawd's boss taught Carlsberg a costly lesson.

OWNING the beer market in hot, thirsty Thailand is a nice franchise. For 62 years and through three generations of the Bhirombhakdi family, the Boon Rawd Brewery has held that franchise with its Singha label. With 95% of the market for most of those years, Singha has made the family one of the richest in Asia, with an estimated net worth of $1.7 billion.

It took guts to challenge this near monopoly, and guts is what the Danish beer giant Carlsberg showed when it committed over $100 million to build a huge brewery north of Bangkok two years ago. Such are Carlsberg's ambitions that its new brewery is nearly as big as Boon Rawd's main facility in Bangkok. Carlsberg is one of the world's oldest, biggest and savviest breweries. Its beer is sold in more countries than any other except for Heineken. In neighboring Malaysia, a Carlsberg brand is number one.

But guts and money haven't been enough. Boon Rawd's market share has dropped, but only by ten points, from 95% to 85%.

Carlsberg's setback is an object lesson in how not to break into a dev oping market. Rather than push unique product, Carlsberg tried me-too Singha. It reformulated flagship brand, raising the alcoh content to match Singha's 6% level. second brew, called Chang, was ma keted as a local "Thai" beer. Car berg set its prices near Boon Rawd products.

Given no real reason to chang most Thais stuck with Singha.

Carlsberg's Thai partner was Su Thip, which also marketed a popu whiskey. In a display of hardball ta tics Sura Thip refused to give deale their whiskey shipments unless th also took some Carlsberg beer.

Stuck with the stuff, the deale simply dumped it on the mark Where bars and stores were selli Singha at $1.70 a bottle, they we pricing Carlsberg as low as $1. Th cheapened the Carlsberg image.

"They made a big push for us chuckles Piya Bhirombhakdi, a gran son of the founder and head of th company. "They paid for advertisi that promoted the drinking of beer

And when Carlsberg's advertisi and promotion made Thais thirs they tended to reach for a Singh which enjoyed a distribution netwo of 340 exclusive agents and thousan of subagents even in the most remo provinces. Over the years the Bh rombhakdis had sponsored such po ular Thai events as kickboxing a traditional kite festivals, thus creati a cultural bond between the bra and its customers.

Of course, the last chapter hasn been written. Carlsberg is regrou ing, and Heineken and Anheuse Busch have also recently jumped in the market. Faced with these contin ing challenges, the Bhirombhake have two choices: They can counte attack by expanding abroad. Or th can stay home and make things rou for the invaders. Although they ha made some overseas forays, th know that the home market is th franchise.

"We cannot compete with the companies outside Thailand, tha for sure," says Santi Bhirombhak Piya's brother and Boon Rawd's ma keting director. "But inside Thailan we are quite strong." The Carlsbe folks wouldn't argue with that.

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Younger Americans have come to understand that for them Social Security isn't a benefit, it's just another tax.

The legal Ponzi scheme

By Rita Koselka

IF THE U.S. GOVERNMENT were required to keep its books the way businesses are required to keep theirs, the national debt wouldn't be $5 trillion. It would be about $17 trillion, an amount equal to about 2½ times the nation's gross domestic product.

That $12 trillion difference is the estimated obligation of the government for its unfunded pension liabilities under Social Security.

Karl Borden, a professor of financial economics at the University of Nebraska, has a modest proposal for knocking that number down by a nice, round $6 trillion. The Feds, he says, should offer a deal to all Americans under, say, 47. If they would agree to forgo the right to Social Security, they would no longer have to pay their share of payroll taxes. They could keep the 12.4% that Social Security docks from them and their employers on their before-tax incomes. "They could keep just half of that and they'd be better off," he emphasizes.

Without Social Security, who would fund their retirement? They would themselves. They would be allowed to put pretax income into IRA-type accounts. In place of a government pension, they would have a personal nest egg to draw on in retirement. With any luck they would earn much higher return than their mon is worth in the Social Security syste

But why would millions of peop want to give up their pension righ after having paid into Social Secur for years? "It's a sucker bet for most the population," Borden says.

Why a sucker bet—after all, wh could be better than a promise of pension guaranteed by Uncle Sam Plenty of things are better, when y consider how many ways Uncle Sa can and probably will renege on h promise. In fact, already is reneging

When President Clinton pushed h big tax increase through Congress 1993, 85% of a Social Security pe sion became taxable income to peop with substantial amounts of other i come. This despite the fact that th had already been taxed on the mon they put in. If you have savings and private pension, the U.S. governme taxes your Social Security contrib tions twice—before they go in a when they come out.

That broken promise is probab only a starter. Congress will almo certainly do such things as raise t pensionable retirement age and ma Social Security need-based—a safe net rather than a pension plan. In t end only the disabled and serious needy 70-year-olds may get the pe sions we all paid for.

Uncle Sam won't have mu choice but to renege. That $12 tr lion in unfunded pension liabiliti grows every year with the number workers who enter the system.

Even if they don't know the spec ics, most younger Americans ha very low expectations of Social Secu ty. Millions of them might well gi up their claims in return for bei allowed out of the system.

In our system there is no automa accounting to the individual, a

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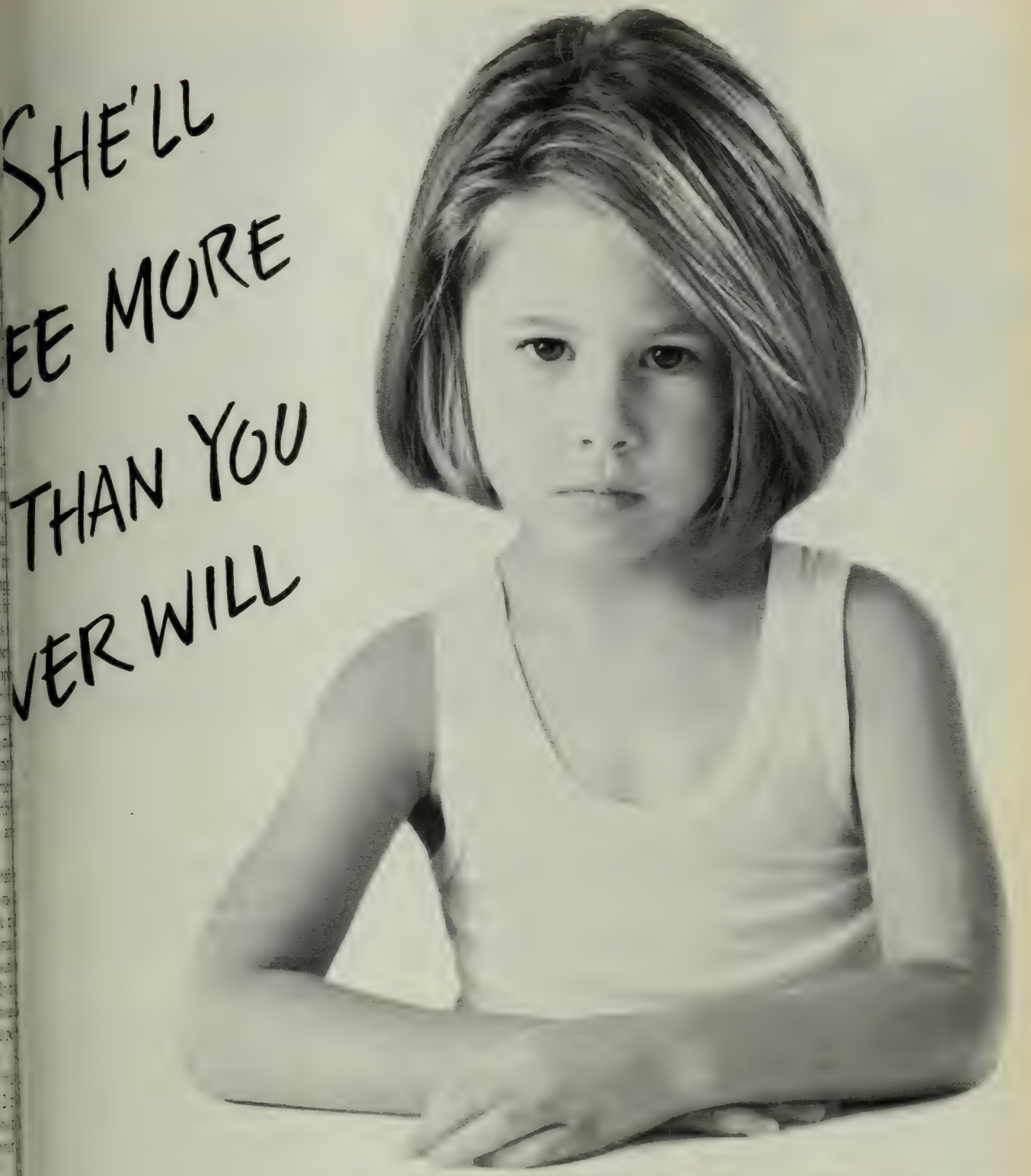

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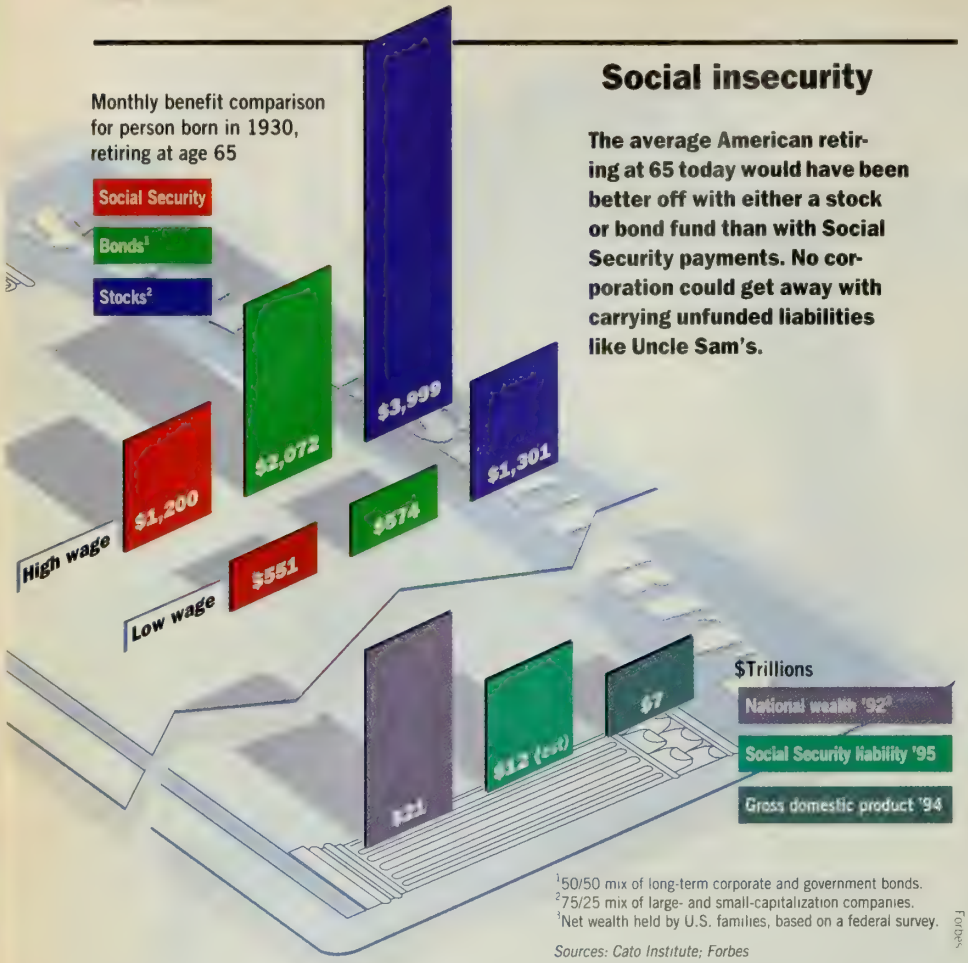

what he gets at the other end is presented as largesse from our kind Uncle Sam.

Under Borden's proposals the Social Security dropouts, as well as new entrants to the labor force, would join a system modeled after Chile's, which privatized its bankrupt social security system in 1981. In Chile workers are required to put 10% of their pretax wages in private pension funds; New York-based Bankers Trust owns one of the largest fund managers. The funds are carefully regulated, and workers can switch among them for better returns and lower costs. They get periodic statements.

At retirement, Chileans take their money to buy an annuity. Whatever is left can be passed on to their heirs. If there isn't enough to provide a decent living, the government steps in, guaranteeing a minimum.

Note the critical difference between Chile's system and ours. In ours, your Social Security dollars go to help fund the federal deficit. Thus the only assets of the Social Security trust fund are a lot of federal IOUs. The trust fund invests not a penny in productive assets. The average current return on that federal paper in the trust fund is around 8%. Had the money been invested in stocks, over the past 25 years the average return would have been more like 11.5% and the pensions would have been far more generous.

While you can't credit the entire advantage to its revamped social security system, Chile enjoys a wonderfully high savings rate, well over 20% of gross domestic product. Contrast that with the U.S.' abysmal 3.2%.

"Social Security has been a horrifically bad investment for Americans," says economist William Shipman, who cochairs a study project on Social Security privatization financed by Washington's Cato Institute think tank.

"Social Security is the classic playout of a Ponzi pyramid scheme," says Borden. "There are only a few things you can do at this stage. One is look for new suckers." His propo would enable the younger suckers escape.

Borden has nothing but scorn the Social Security "reform" pr posed in May by senators Bob Ker and Alan Simpson. It would actua broaden the system by including st and local employees in Social Secu ty. Affluent retirees—those earning the top two-thirds—would start l ing their benefits but would have keep paying into the fund. About t only advantage of this "reform" that it strips away the pretense t Social Security payments are anythi other than another federal tax.

A shift to a private system wo not be without its problems. Pensi would be vulnerable to a stock mar crash and to stock market booms a busts. People could lose their n eggs by picking the wrong stocks the wrong time. But averaged o time, the returns will fund hig benefits than pensions in the curr system. Also, the private pensi money would find its way into inve ment rather than into financing t federal deficit, and those investme could only raise productivity and t overall American standard of living

Such reforms would not solve t problem of current retirees who h been promised benefits from mo that has been, essentially, wasted the government. FORBES colum Steven Hanke has a partial soluti

"Social Security has been a horrifically bad investment for Americans."

for this: He says the federal gove ment could sell off some of its h land holdings and earmark the p ceeds for funding the unfunded p sions. "We're not talking about semite here, just the commerci used federal land. Old Faithful is going on the block," Hanke assu those who worry about preserving American wilderness.

But however we fund it, the mo will have to be found. Says Bord "That debt exists. It's a sunk c Whatever changes, we still owe p ple $12 trillion."

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The race merchants

BY THOMAS SOWELL

Dr. Thomas Sowell is an economist and a senior fellow at the Hoover Institution in Stanford, Calif.

NOT SINCE Gunnar Myrdal's classic, *An American Dilemma,* just over half a century ago, has any book looked so searchingly at the role of race in American society as Dinesh D'Souza's new book, *The End of Racism.* Like Myrdal, D'Souza is a foreigner, which gives him the advantage of an outsider's perspective. Also like Myrdal, D'Souza has produced a huge, fact-filled book and examined a wide spectrum of ideas about race against the background of those facts.

Virtually every viewpoint on American race relations gets a hearing in *The End of Racism*—from Al Sharpton and Jesse Jackson to white supremacist hate groups. D'Souza gives them all enough rope to hang themselves and then begins analyzing the facts.

The central theme of this book is that "most of our basic assumptions about racism and civil rights are either wrong or obsolete." D'Souza also demonstrates the enormous importance of underlying, unstated and hence unexamined presuppositions. He traces back to Franz Boas in the 1920s, and his many students and prominent disciples since then, the notion that all cultures are equally valid, that they can only be different but not better or worse.

"Most of our basic assumptions about racism and civil rights are either wrong or obsolete."

While cultural relativism may seem to be only an abstract academic doctrine, it has become a key "social science" dogma that has wreaked havoc in racial policy and racial attitudes, from the courtrooms to the halls of Congress to street corner demagogues.

If cultural relativism is correct, then intergroup differences in rewards or achievements can only be due to discrimination or genetic differences in ability. Since cultural relativism began in reaction against racial superiority theories, its rejection of both cultural and genetic causes of intergroup differences leaves only "society" to blame for disparities in income or "representation" in various occupations or institutions.

Although the civil rights movement and the civil rights laws initially sought only equal opportunity, the underlying assumptions of cultural relativism meant that equal opportunity should produce more or less equal results. When this did not happen, the consequence w not a reexamination of this dogma, but instead a proliferation of inherently untestable theories about subtle, hidden or even unconscious racism—all used to justify affirmative a tion preferences and quotas.

On the basis of this doctrine, people and institutions began to be presumed guilty in courts of law when their statistics did not match the presuppositions of the zeitgeist. A whole class of people, whom D'Souza calls "the race merchants," came into existence to exploit this way of thinking—or of not thinking—in the courts, in the corporations, in aca demia and elsewhere.

If one culture was as good as another, then complaints about broken homes or counterpro ductive behavior and attitudes were all just "pe ceptions" by observations whose cultural biases needed to be re-educated out of them. Learnec professors in leading universities began to accept—or worse yet, to "understand"—both words and deeds of sadistic savagery, as civilizec standards degenerated in urban ghettos.

Despite its title, *The End of Racism* does not argue that racism has in fact ended. Instead, it argues that the explanatory power of racism is very weak when put to the test, and that it now serves largely as a distraction from the hard wor of dealing with other factors behind very real problems. Moreover, D'Souza sees the ever more elastic definition of "racism" as both esca ism and cynical exploitation by racial activists.

"Publicly inconsolable about the fact that racism continues," D'Souza says, "these activ ists seem privately terrified that it has abated." There is such a vested interest in racism that eve independent scholars and writers "are incredulous and even angry" when informed of sucl things as the declining membership of the Ku Klux Klan and similar racist organizations.

This is a heartbreaking book, because the truth is heartbreaking. The fantasies and fraud of Afrocentric education, the cynical promotion of paranoia and polarization by "the race merchants," and the savage and barbaric crimes of ghetto hoodlums against their own people are just part of the grim and bitter picture painted with meticulous care by D'Souza, who says, "no good is achieved by dressing these pathologies in sociological cant."

Those who cave in to this cant, including some of America's leading corporations, come in for condemnation as well. But *The End of Racism* is more than a series of moral judgmen and policy prescriptions. Above all, it is a thor ough reappraisal of race and racism in Americ today. It may not be pleasant reading, but it is must reading. ■

INDIA WELCOMES BUSINESS

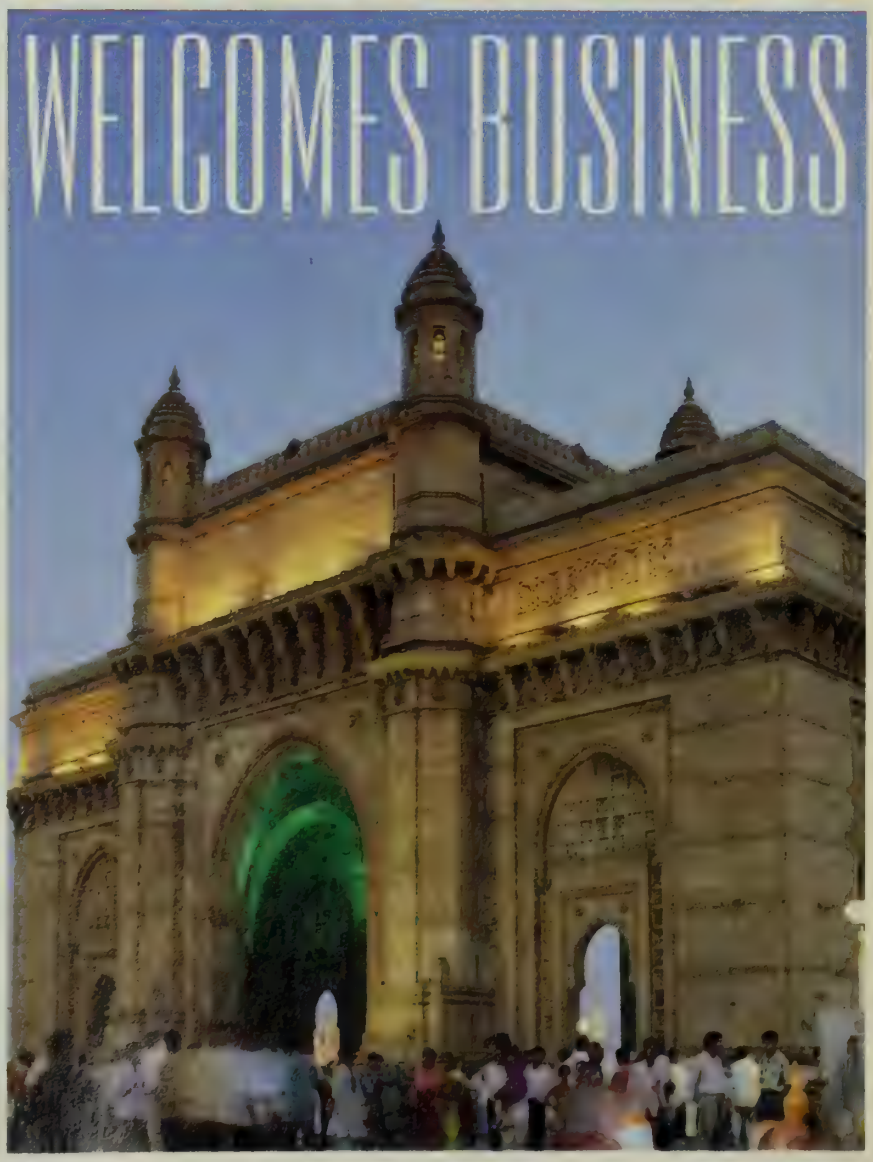
After being strapped to the altar of ocialism for over four decades since chieving independence in 1947, the hackles of corporate India were nfettered four years ago, in mid-991. That was when the current ongress Party administration of rime Minister P V Narasimha Rao nleashed a phased package of conomic reforms that virtually did way with rigid and cumbersome censing procedures for industry. The ackage, *inter alia*, also declared an pen door policy for foreign vestment by allowing overseas quity participation up to a limit of 1% on an automatic basis.

Measures were effected across a wide spectrum of the economy which pried open controls d regulations on economic activity. hese gave the economy an impetus wards globalization. Import tariffs were ashed, budgetary subsidies to state-run blic-sector enterprises were whittled own, several businesses – such as lines, banking and mutual funds – once ate-managed, were again opened to vate enterprise.

Other government monopolies, such telecommunications, power generation d transmission and national highways, ere not only thrown open to private terprise but foreign participation was tively encouraged. This vast and diverse vestment potential, in a land of almost billion citizens, has drawn the largest rporations in the world. Jostling for a sition in one of the world's fastest-owing markets are companies such as neral Motors, Ford, Motorola, IBM, &T, General Electric, Peugeot, Daimler nz, Asea Brown Boveri, Danone d Electrolux.

Admittedly, the reform package was ated as the administration was on the ge of defaulting on India's foreign bt obligations. India's credit rating had en downgraded by major agencies d the country's forex reserves re down to a low of $1 billion, which s barely enough to finance two nths of imports.

our years later, despite the initial itical opposition to reforms, the cess of the economic initiatives is not

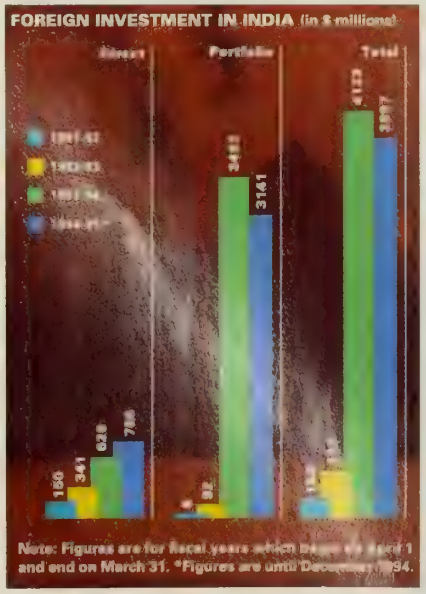


Andy Levyshon

in doubt. Forex reserves have crossed the $20 billion mark, foreign direct investment totaling $10 billion has been invested in India and over $3.5 billion has been invested in Indian equities by foreign fund managers. On the macro-economic front, the fiscal deficit has come down from 8.3% in the fiscal 1990-91 budget of the Union government to 6.7% in 1994-95. India's fiscal year ends on March 31 every year. Tax collections have ballooned from $14 billion to $21 billion, despite a phased cut in tax rates. Inflation, which had reached double digits in 1991, is down to a respectable 8%. Industrial output grew by 8.4% in fiscal 1994-95, peaking at 11.7% in March.

For corporations, which were wary of the fallout of globalization on their bottom lines, 1994-95 has been the year of record profits and profitability. A study by the development bank, the Industrial Credit and Investment Corporation, covering 615 companies, revealed that net sales improved by 30% while net profits increased by a remarkable 84%. Operating profit margins increased sharply to 11.4% during the year in review, compared to 8.4% in 1993-94.

Such a turnaround in the Indian economy, and the fine performance turned in by corporations that are facing global competition for the first time, has drawn kudos from knowledgeable India-watchers. Says Mark Bullough, managing director of Jardine Fleming India Securities Pvt. Ltd., "Foreign portfolio investors believe that corporate India is a success story despite macro-economic, political and infrastructural



H. Mahidhar

The upturn on the Indian Stock Exchange reflects the growing interest among global financial powerhouses.

problems. Indian management has proved that it runs companies to a world-class standard, not only to the local market which has perhaps always known it, but to the world at large." Jardine Fleming itself represents the growing interest in India among global financial powerhouses. It was among the first foreign financial institutions – commonly known in India as Foreign Institutional Investors (FIIs) – to be registered with India's regulatory agency, the Securities and Exchange Board of India, for trading on Indian stock exchanges.

One indication of the interest in investing in Indian scrips is the more than 300 FIIs currently registered with the Securities and Exchange Board of India. Their net portfolio investments in the primary and secondary markets reached the $3.5 billion mark. Another indication is that 48 Indian companies, all blue chips, have floated Global Depository Receipt issues totaling $4 billion. Eight more have raised $1 billion through Eurobonds.

The confidence among foreign fund managers in the resilience of the Indian economy is further proven by the fact that, since July 1993, 10 offshore funds have been launched by the most prominent names in the business. The largest among them is the Morgan Stanley Indian Investment Fund, which raised $525 million in February 1994, and BZW's India Inc. which raised $510 million during the same period. Five more India-specific funds are in the works.

Perhaps no other industry refle radical restructuring attempt the Indian government a telecommunications industry. industry was traditionally a pres the government's behemoth P Telegraph Department, whic established by a century-old a now the business is being privati seeing the active presence of players. Some of them have link Indian companies, vying with eac to introduce state-of-the-art equ and technologies in all areas industry. In the supply of sw systems, AT&T, Ericsson and Alc in competition. For running telephone services in metropolita Motorola, AT&T and Hutchison M won contracts. And for providin telecommunications services, cor such as AT&T, Nynex, US We others have offered bids.

Predictably, the economic turn coupled with a growing and incre prosperous middle-class mark mated at over 250 million consum made India an attractive inve location. The number of

The primacy of the U.S. in partnering India's industrial potential is reflected in the fact that it is the number one investor in India.

collaborations doubled from 950 to 1,854 in 1994. The trend has k through this year too: In the f months of 1995, total collaborations approved wer which far exceeded the 629 into during the corresponding p 1994.

The U.S., which has traditiona India's largest trading partner, h quick off the block. For seve companies, most notably Coca-C IBM and oil giants Caltex and E has been a return to a market t had dominated two decades ea

Many others, including GE, W Ford and General Motors,

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Pankaj Desai

Modern textile production is a key feature of Indian exports.

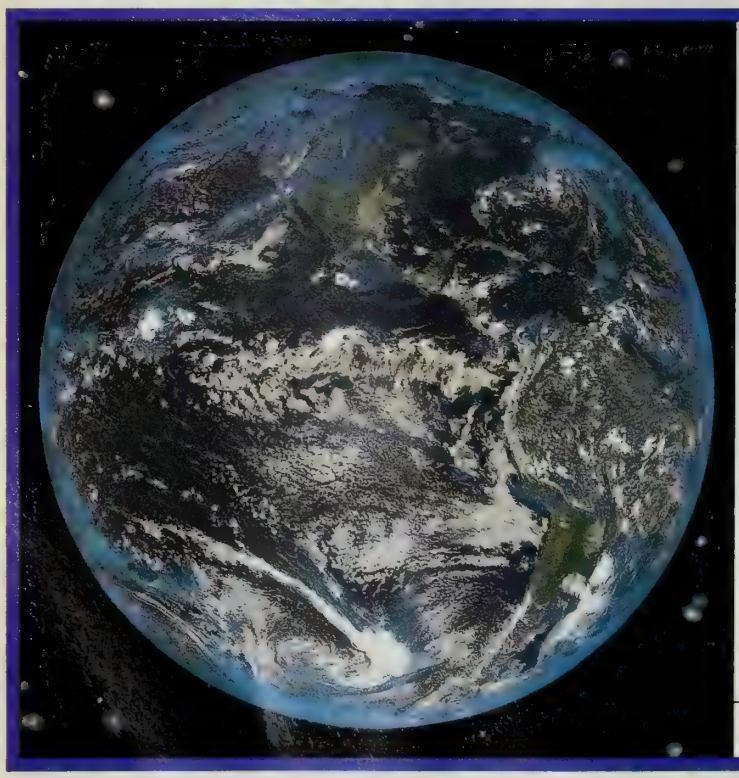
beginning to set up manufacturing bases in this country that have the potential to be among the largest markets in the world. The added advantages of much lower manufacturing costs and proximity to Asia have not been lost on U.S. companies. Consequently, it was no surprise when a U.S. business delegation, led by Commerce Secretary Ron Browne, recently signed agreements with Indian industrialists for projects totaling $7 billion.

The primacy of the U.S. in partnering India's industrial potential is reflected in the fact that it is the number one investor in India. In 1994, out of a total of $4.5 billion of investments approved by the Indian government, almost a quarter, $1.1 billion, came from U.S. companies.

U.S. investments in India have been in key infrastructural areas such as power, telecommunications, energy and engineering studies. They are perhaps most evident in the power sector with Cogentrix, CMS Energy, AES Transpower and Enron Corp. taking a dominant share in the establishment of eight fast-track power projects. Enron Corp. was involved until recently in setting up the country's largest power plant, a 2015 megawatt, $2.5 billion gas-based unit near Bombay, in the state of Maharashtra. The project was scrapped in mid-August by the Maharashtra government after it was reviewed by the new administration on the grounds that the capital costs involved were too high.

There had been fears expressed in several quarters that canceling Enron's contract, after work had commenced at the site, would lead to a slowdown in

the flow of investment. How because it was common knowledg the cancelation was politically moti to send a message to the pre administration, such fears proved unfounded. What is fu encouragement is that Enron is st



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to renegotiate the project, rather than claim compensation, and it has informally agreed to make key changes in the project plan. Another review committee, the composition of which is agreeable both to the Maharashtra government and Enron, has been formed to evaluate the proposals freshly outlined by the company. A successful renegotiation is anticipated.

Another sector that has been under government control and is now being opened to private enterprise is the roadways. The National Highways Bill was amended two months ago allowing private companies to construct highways, bridges and expressways on a build-own-transfer basis. A National Highways Authority has been established and feasibility studies have been called for constructing a network of super-highways crisscrossing the country.

The opening up of these government fiefdoms has also spelled opportunity for some Indian companies that, until now, were operating abroad for lack of domestic business. One such company is Dodsal, a well-known constru company that has undertaken proje Europe, the Middle East and South Asia. "We went abroad because i virtually the only way to grow. But the increasing potential for bu roads, ports and bridges as a res the liberalization program, I feel bus in India could even eclipse the boo experienced in the Middle East. T because huge capacities are requir various sectors," says Rajen Kilac Dodsal's CEO.

Dodsal is not the only com discovering the potential in India. S of companies are beating a path t doors of the government of I Foreign Investments Promotion B with detailed investment plan manufacture a host of products chewing gum to automobiles. T companies have realized the truth one of the oldest civilizations i world is shaping into one of the promising markets of tomorrow.

SHRINKING DEFICIT AND BURGEONING COLLECTIONS

Year	Fiscal Deficit (as % of GDP)	Center's net tax revenue ($ billion)
1990-91	8.3	13.43
1991-92	5.9	15.65
1992-93	5.7	16.89
1993-94	7.7	16.70
1994-95	6.7	20.31
1995-96*	5.5	23.24

*Budget estimate
Source: The Economic Times, Bombay March 23, 1995 and Receipts Budget 1995-96 – Govt. of India.

Andy Leyshon

The developing telecommunications industry reflects the success of the government's restructuring program.

WRITTEN BY SAILESH KOTTARY
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A phony reformer

BY STEVE H. HANKE

Steve H. Hanke is a professor of Applied Economics at Johns Hopkins University in Baltimore.

WHEN JACQUES CHIRAC was elected president of France earlier this year, the investment community let out a cheer. Here was the chef who would make the French soufflé rise again.

Well, Chirac's chummy American style didn't fool investors for long. Chirac is a man of many ideas, most of them mutually incompatible. The first signs that Chirac's soufflé was half-baked appeared at the G7 summit in Halifax, where Chirac described currency speculation as the "AIDS" of the global economy. Most recently, the president of the republic irked the investment community by announcing that he would employ a little-used 1945 edict to requisition vacant, privately owned buildings from banks and insurance companies to house the homeless.

Chirac's public exhibition of a new style fails to mask an embrace of old socialist ideas. France's economic problems are deep-seated and require far-reaching structural reforms. They cannot be tackled by a man who talks free enterprise but acts socialistically.

Let's take a look at how his team proposes to attack the two most important problems facing France: unemployment and a bankrupt social security system. The most recent official unemployment number is 11.4%, down over a full percentage point from last year's highs. But not so fast. The official numbers are doctored. The real unemployment rate is closer to 20%. To attack what Chirac's Prime Minister Alain Juppé calls the "gangrene" of mass unemployment, Juppé has proposed policies that are not merely futile but will actually destroy jobs: raising the minimum wage, boosting taxes and increasing subsidies to employers who take on workers who have been unemployed for more than a year.

France's new president talks to the right but acts to the left. He is a drab disappointment to those who hoped for change.

How does Juppé reconcile the glaring contrast between the Chirac government's words and its actions? With a smoke screen of mercantilist rhetoric. "One should not mince words," he said, "our philosophy is not an Anglo-Saxon one." Meaning that the government remains dedicated to the old French doctrine of an all-powerful state.

Juppé is implying that the "Anglo-Saxon"—read American—model is inhumane. But is it inhumane that in the U.S., where the unemployment rate is 5.6%, almost 6 million new jobs have been created over the past two years, most of them high-paid? The secret to America's success is obvious: flexible, competitive labor markets. In contrast to France, U.S. unemployment insurance is less generous, the legal minimum wage is less burdensome, labor unions have less monopoly power, government intervention in wage bargaining is much less frequent. Most important, there are fewer restrictions on hiring and firing of employees, and social insurance charges and other nonwage costs are much lower. If the French system is more "caring" on the surface, it certainly produces results that are very far from kind to the Frenchman who cannot find a job.

If France's unemployment problems don't bury the Chirac government, France's bankrupt social security system will. This is another French sacred cow that Juppé's technocratic tinkering will not save. The system operates on a pay-as-you-go basis. Hence, it is a classic Ponzi scheme. The system is running a cash deficit, but even more troublesome, the Paris-based OECD has calculated that the present value of the system's unfunded liabilities amount to 98% of France's GDP. To eliminate these unfunded liabilities, taxes would have to be raised to unimaginable levels. Indeed, the tax burden would absorb virtually all of the lifetime income of Frenchmen who were lucky enough to find a job. But with such confiscatory taxes, few Frenchmen would have an incentive to work.

The only way President Chirac can salvage France's bankrupt system is to follow the lead of Chile's "Chicago Boys." They successfully privatized Chile's social security system on May 1, 1981. Alas, there is virtually no chance that this will happen in France. The powerful, left-wing French unions are already digging in to shut down France over proposals to privatize France Télécom.

France has wasted over 15 years in coming to grips with its deep-seated structural problems. Politicians like Chirac constantly talk of reform but end up preserving the old order. *Plus ça change, plus c'est la même chose.*

Mark Twain wrote about them in "Huckleberry Finn," but he never dreamed that modern technology would turn riverboat hustlers into big-scale entrepreneurs.

The happiness hucksters

By Lisa Gubernick with Philippe Mao

ON HIS INFOMERCIAL he looks like a cross between the Hathaway Man and the Incredible Hulk. He does a victory lap through a cheering crowd, then a voice-over intones: "Tony Robbins has been called the ultimate success coach. A brilliant thinker and communicator."

Who says Anthony Robbins is all this? Well, there is deejay Casey Kasem and former football great Fran Tarkenton. But most of all, Tony Robbins. He is hyping his "Personal Power" audiotape program—available for just three easy payments of $59.95 to the folks out there in TV land. Hundreds of thousands have taken Robbins' bait, but he has plenty of competition. According to Marketdata Enterprises, a research firm based on New York's Long Island, sales of self-help tapes, videos, books and seminars should hit $1.6 billion this year.

There are motivators for every price point: For $8,995 (airfare not included) you can spend eight days with Robbins on his Fiji hideaway with 59 other participants in his "Date with Destiny" program. On a more modest budget, $49 buys an arena seat at Peter Lowe's Success 1995, a touring motivational road show with such speakers as Elizabeth Dole, motivator Zig Ziglar and Olympic speed skating gold medalist Dan Jansen.

Want something more concrete? Stop by one of 100 Successories stores scattered across the country and pick up a "No Goals No Glory" crystal paperweight for $39.95 or a motivational mug emblazoned "Whatever It Takes" in 22kt gold ($9.95). Over the last four years Successories' business has grown from $5 million to an estimated $55 million for this year.

Self-help, striving, upward mobility are as old as the Republic, a reflection in part of the drives that pulled immigrants across the oceans to America for two centuries—and still do. Self-help is a fertile field for charlatans as well as for people with genuine inspirational messages. You can trace the lineage back to Ben Franklin's Poor Richard, through a whole string of personalities, some reputable—like Napoleon Hill *(see box, p. 85)*, Dale Carnegie and Norman Vincent Peale—others a lot less so.

This is an easy business to mock. The gurus are often outrageous self-promoters, the messages often old bromides or secondhand bits and pieces of religion. Nevertheless, hundreds of thousands of people do swear by them. "I wouldn't spend this kind of money if I didn't believe," says Marty Rodriguez, a Century 21 real estate broker who has spent more than $7,000 on Robbins' seminars and gives him credit for helping double her sales commissions. "I went to Tony's seminar and realized all that

Ted Soqui

Motivator Anthony Robbins **Who would buy advice on success from a fellow in a frayed collar?**

Jack Canfield (left) and Mark Victor Hansen **Their "Chicken Soup" could be headed for TV.**

was about me and not about them. I did the firewalk and climbed a 60-foot pole. I realized I've been firewalking my whole life. If you focus on the fire, you burn. If you focus on your goals and don't look down at the things that hurt, you'll get there."

Call it, if you will, the pink pill effect—a placebo. People believe the pills cure them, it makes them feel better, and sometimes the symptoms go away. It's they who did the cure, but the pink pills were a useful prop.

Whatever you think of these happiness hucksters, modern technology has given them a mighty boost. In the past its practitioners could sell books and give speeches and seminars. Now they can reach tens of millions of people via TV and through the mediums of video and audio; clearly the Internet will be the next step.

Sony Worldwide Networks, for example, has just unveiled SuccessRadio. Vin Di Bona, executive producer of *America's Funniest Home Videos,* has signed on motivational speakers Jack Canfield and Mark Victor Hansen, authors of the bestselling, bromide-filled *Chicken Soup for the Soul,* to develop TV specials based on the book and its sequel. "What's new is not the message," says Richard Huber, author of *The American Idea of Success,* "it's the medium."

The growth of TV infomercials has been a blessing to success huck
Before 1984 broadcasters could
erally sell no more than 12 minu
commercial time per hour, but d
ulation has allowed advertisers to
chase longer blocks. Self-help pe
alities are naturals for infomercial
who can tell where the advice c
and the product-plugging begin

In the early to mid-1980s telev
preachers such as Jimmy Swa
and Jim Bakker bought up exte
amounts of television time. But
scandals shut them down, the se
self-helpers took over. "We ste
right in behind the televangelist
bought all the time," says
Renker of Guthy-Renker C

Formerly fat housewife Susan Powter **Her market: lower-middle-income women, about 50 pounds overweight.**

Alan Levenson

whose Palm Desert, Calif. infomercial company produces Tony Robbins and others. "It was a sort of harmonic convergence. Robbins came with the right product at the right time."

Robbins himself is two parts show biz, one part bromide. He had just graduated from Glendora (Calif.) High when motivational speaker Jim Rohn hired him to sell tickets to his seminars. Robbins ended up as one of Rohn's top salespeople before striking out on his own in the early 1980s. To persuade his viewers that he could show them how to do anything they wanted, he learned to walk barefoot across a lane of flaming coals.

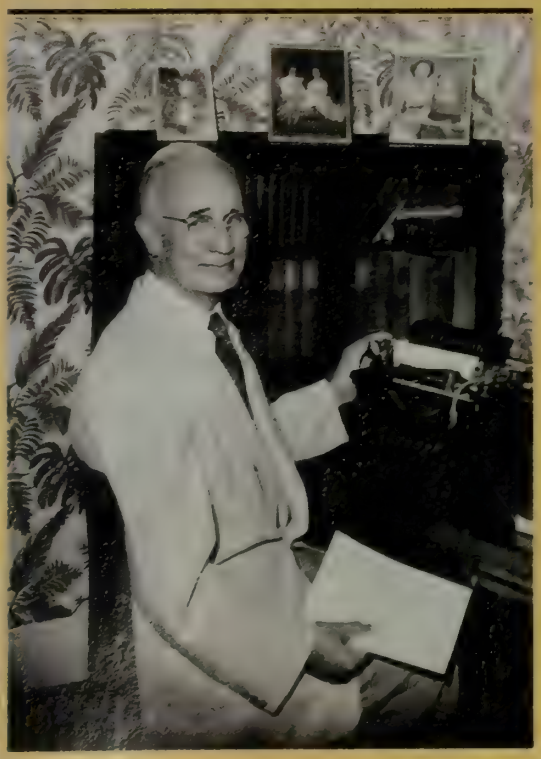
Relaxing on his beachfront porch in fashionable La Jolla, Calif., he recalls: "If I could get myself to do this thing I thought was impossible and it's really easy, what else do I think is impossible which is easy? Maybe I can make a change in my business. Maybe I can get my kids to get B's instead of D's and C's. Maybe even A's. I used the firewalk as a tool to rivet people's attention." It riveted Simon & Schuster's attention. The company published his first book, *Unlimited Power*, in 1986. It hit the bestseller list. Three years later his first infomercial was produced.

You might call Robbins an inspirational generalist. Stephen Covey specializes. "Tony's method isn't complete because it doesn't deal with the organizational side of things," says Covey, a 62-year-old former Brigham Young University professor. Mormon, and equipped with a Harvard M.B.A. and a doctorate in organizational behavior, Covey is bigger on the corporate circuit, where Robbins might be too New-Agey. Covey was just another speaker doing motivational speeches for corporations when Jan Miller, the same literary agent who represented Tony Robbins,

The ups and downs of Napoleon Hill

NAPOLEON HILL was one of the earlier happiness hucksters. His life was a tale of ups and downs and stubbornness in the face of adversity. Born in 1883 in the Virginia backwoods to a family he described as three generations who lived with "ignorance, illiteracy and poverty," Hill dropped out of law school and ended up working for an inspirational magazine. He eventually started his own, *Hill's Golden Rule*. After two years he lost control to his partner. Then, in 1928, he published his first book, *Law of Success*. By early 1929 his royalties averaged $2,500 a month, $22,000 in 1995 dollars, big money, in those days of low income taxes. He became rich and famous. But the Depression made a mockery of his recipes for success and his audience dwindled.

By 1937 the economy was picking up and the old bromides seemed to work again. Dale Carnegie's *How to Win Friends and Influence People* was a bestseller. Hill wrote *Think and Grow Rich*. It, too, became a bestseller. Insurance tycoon W. Clement Stone ordered agents to read Hill's sermons before sales calls. In 1952 Stone bankrolled Napoleon Hill Associates, which produced books, films, TV and radio programs based on the master's learnings. In 1961 Stone turned control over to his mentor. Hill spent his last nine years heading the Napoleon Hill Foundation, dedicated to promulgating his principles. –L.G.



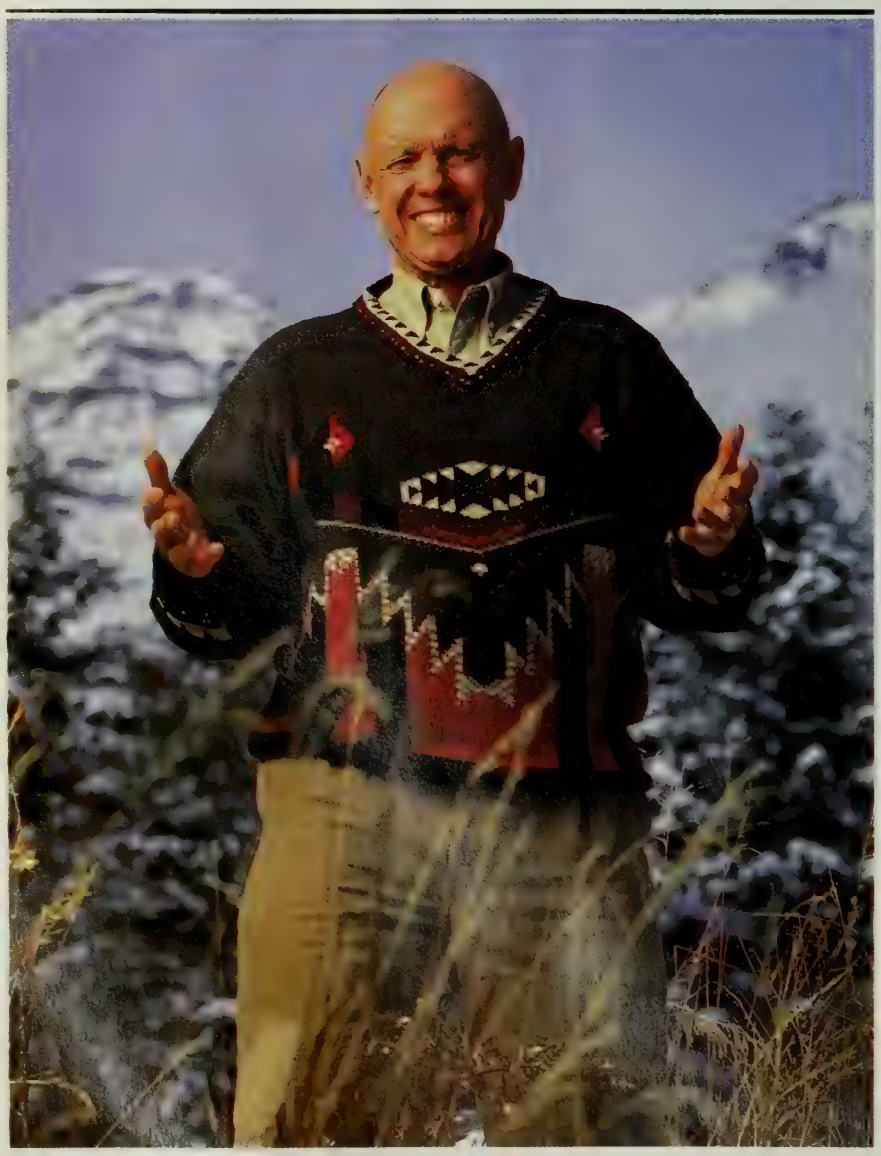
Napoleon Hill **Early happiness huckster.**

Live better, get richer

Guru	Mantra	Two-year earnings ($mil)
Anthony Robbins	Awaken the Giant Within	$12
Stephen Covey	Seven Habits for Success	11*
Deepak Chopra	Live Better, Last Longer	11
Susan Powter	Stop the Insanity	7*
Jack Canfield	Chicken Soup for the Soul	6
Mark Victor Hansen	Chicken Soup for the Soul	6

*Receives only 50% of these earnings; the remainder goes to financial partners.

How much do they make? Here are Forbes' estimates for what some of the top-earning happiness hucksters made over the past two years.



Alan Levenson

Stephen Covey, Harvard M.B.A.
Motivating the corporate set.

brought him to Simon & Schuste

Unlike most speakers, who are sentially one-man shows, Covey fers to train people in his metho AT&T has 60 "Covey-certified" tra ers in various departments, and th are 5,100 more Covey moles in fir throughout America, each of wh paid $1,995 for certification from Covey Leadership Center. He is, effect, creating his own captive c tomer base for new training materi

Covey's book *The Seven Habit Highly Effective People* was a bestsel within months of its first printing 1989, and it has sold briskly since.

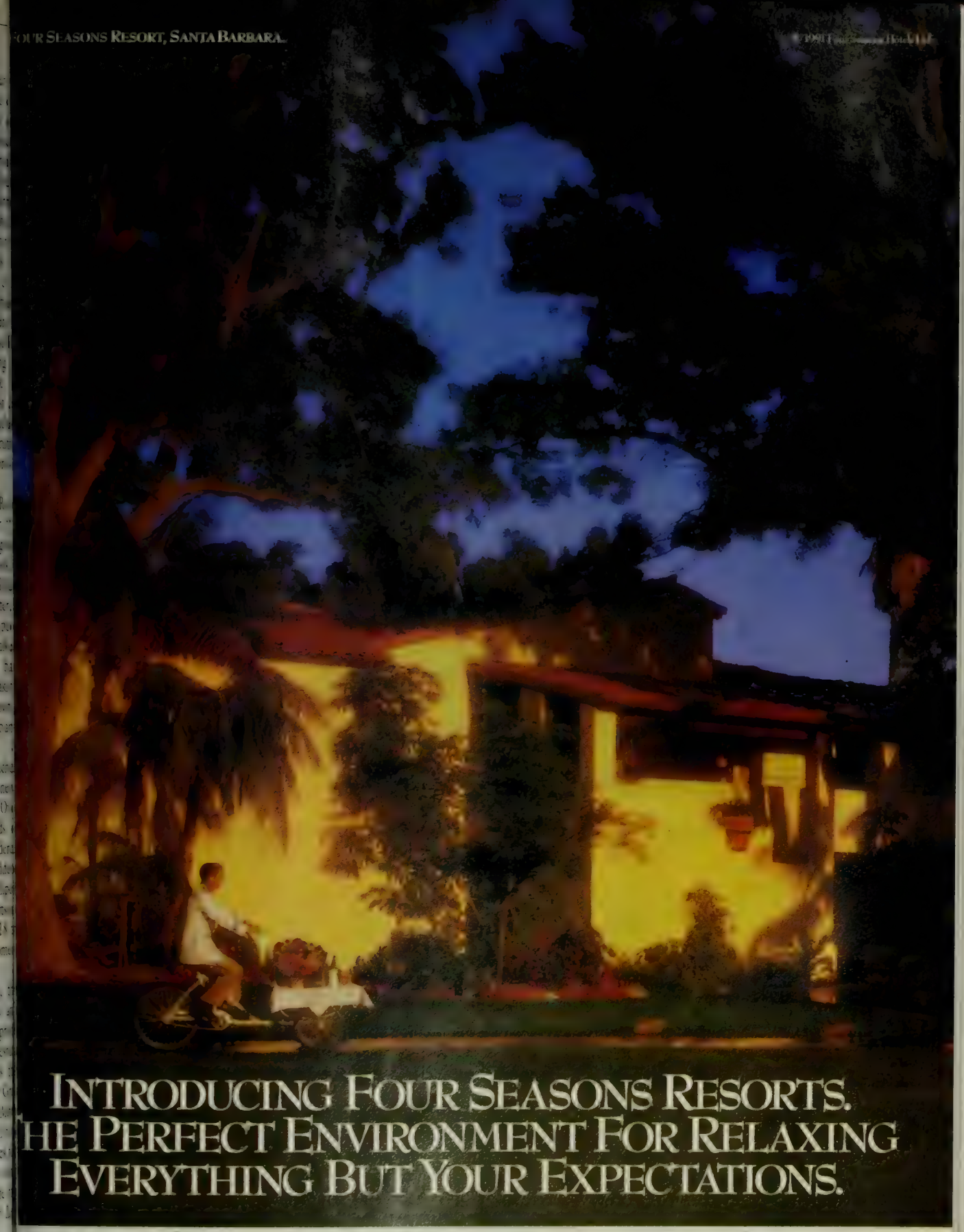
Covey insists that he isn't just inspirational speaker, that he teacl "leadership." One Covey tru "You can't talk yourself out of pr lems you behave yourself into."

Robert Asahina is Covey and R bins' editor at Simon & Schuster. you find me a woman who is as go as Tony Robbins, I'll buy the book Asahina told literary agent Jan Mill The agent suggested Susan Powter garrulous former housewife who pe dled her own story—husband walk out on her and two kids, she b looned to 260 pounds before taki control of her life. Listen to Pow and you learn how to lose that flab a take control of your life.

Powter, a buzz-cut bleach blonde high school dropout, is a ne style carny barker. And she sells. O the last several years hundreds thousands of women have order her $79.80 kit: audiotapes, vide tapes, pamphlets and a fat calip "Our market," says Rusty Robertso her manager and partner, "is 18 54, lower-middle-income wome about 50 pounds overweight."

As in any growing market, t smart newcomers do as Covey a Powter do: specialize. For each pro lem, its own guru. Onetime real esta developer Brian Tracy teaches t psychology of selling. John Gr (bestseller: *Men Are from Ma Women Are from Venus*) tells you ho to run your love life. Gray shares t relationship market with his ex-wif Barbara De Angelis, who wrote t bestselling book *How to Make Lo All the Time*.

Afraid your kids will go astray? Li da Eyre and Richard Eyre (bestselle *Teaching Your Children Values*) t



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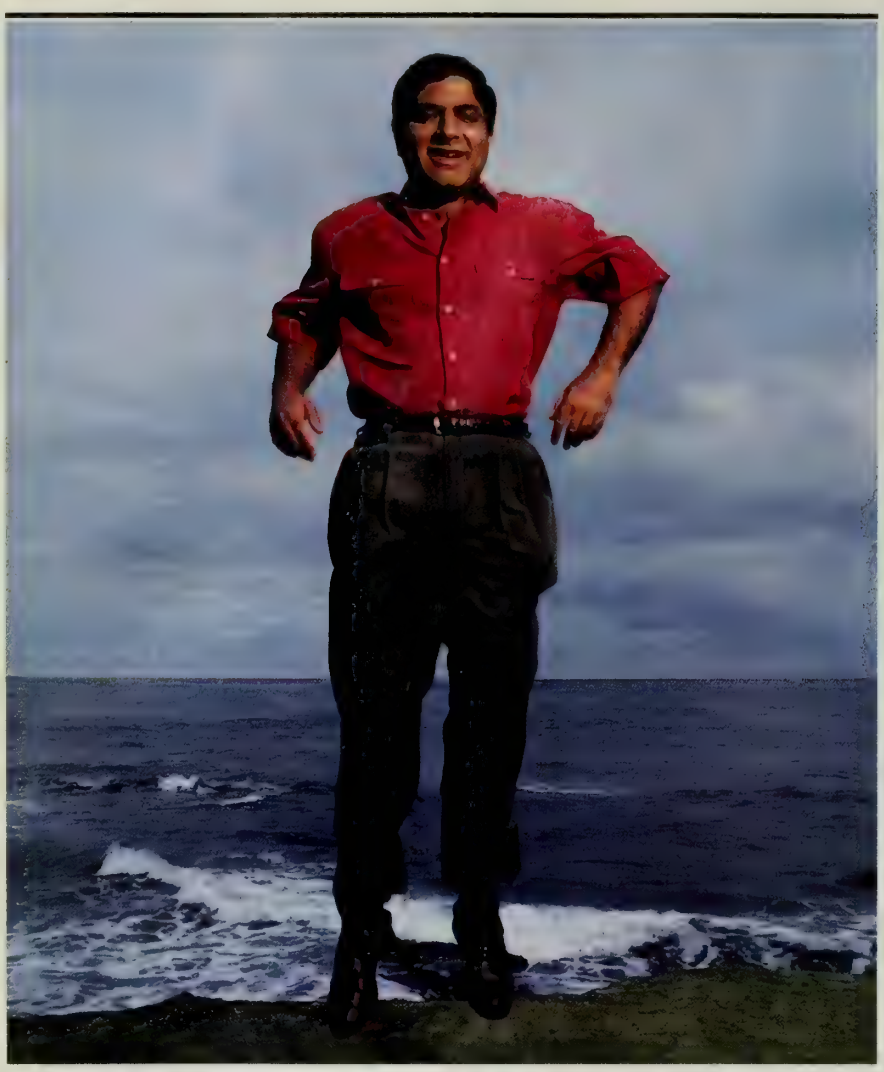

Author Deepak Chopra
Does he have the secrets for longer life?

you how to run your family life. Dee pak Chopra (bestseller: *Ageless Bod Timeless Mind*) offers the secrets for long and healthy life.

Little pink pills, the experts snee Dr. David Heber, chief of clinic nutrition at the UCLA School of Medi cine, says this of Susan Powter: "She' taking bits and pieces from scientifi literature and paraphrasing it. She' not doing any damage . . . but it's no enough." Deepak Chopra's advice tha a less stressful lifestyle can result in longer life is well taken. But, as Dr George Solomon, a professor of psychi atry at UCLA, told FORBES: "He doesn' clarify what statements are backed b scientific evidence . . . and has no personally developed scientific valida tion of his own claims."

"I regard them all as similar to th Duke and Dauphin in Huck Finn," says Nicholas Lemann, who is writing a book about the American idea o success and meritocracy. "There's a lot of packaging, and very little inside Most all of them say the same two o three basic things." But Lemann doesn't say this in anger. "They aren' unscrupulous stock operators tha cause financial ruin," he adds "They're just ripping you off for a couple hundred bucks for thei tapes." That's not much more tha the price of a couple of front-row seat for the Rolling Stones. If the happi ness hucksters make people feel bette and act more decisively, they may even in a way be socially useful.

The nemesis factor

THERE'S A LOT of the Wizard of Oz in the happiness hucksters, which means they have to keep up appearances. Who would buy advice on success from a fellow in an old car and wearing a frayed collar? Who would buy the secret of longevity from a sickly fellow?

So Tony Robbins uses his lavish lifestyle as a major part of his promotional paraphernalia. But the fact is Robbins has had his own recent brushes with fiscal failure. The most recent Dun & Bradstreet report for Robbins Research International, which handles his speeches and seminars, shows a negative net worth of nearly $1 million.

"It's because of divisional losses in 1990, 1991 and 1992," explains Sam Georges, chief operating officer for Robbins' business operations. Georges claims that the seminars have been profitable since 1993 but he refuses to provide figures.

At the same time, Robbins was sued by unhappy distributors who claimed he had misrepresented how much money they could make by putting on taped versions of his seminars. Robbins recently signed a consent decree with the Federal Trade Commission, paying $221,000 to settle those same complaints, without admitting wrongdoing.

Greg Renker, Robbins' infomercial producer, sees poetic justice in the success gurus' problems: "If you represent you know all the secrets for great relationships or unlimited success, you are going against the forces of nature. Sooner or later everyone hits the skids. And sooner or later the forces of nature will come back to give you a little slap in the face, remind you of that universal law."

Will Deepak Chopra have the healthy old age he offers his acolytes? Will Susan Powter stay svelte? Will Tony Robbins stay on top? Or will fate slap their faces for their effrontery? –L.G.

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Dealing with the IRS is always scary, but this fall things will be scarier than usual. Here's how to fight back.

Knowing when to say...

By Laura Saunders and Janet Novack

DOUGLAS STIVES, a CPA with 25 years' experience, was surprised when he tackled a recent Internal Revenue Service audit for a client. Instead of simply asking about charitable deductions, as expected, the agent fired these questions at him:

"In case your client owes us money, where is her principal bank account? What is the account number?

"What kind of car does she drive?

"What type of house does she live in? What's it worth?"

Says Stives, who practices in Red Bank, N.J., "Never have I encountered such questions at a routine audit. You would have thought this was a fraud exam, which it clearly was not. It was scary."

What Stives encountered was no anomaly. In the eternal tug of war between taxpayers and the IRS, things are getting rougher than usual for the mostly law-abiding taxpayers who have above-average incomes. Under Commissioner Margaret Richardson, the IRS has retreated from a short-lived emphasis on "service" and is once again playing hardball with taxpayers. "This is no longer the kinder, gentler IRS," says Robert McKenzie, an attorney with McKenzie & McKenzie in Chicago. "They are turning every exam into the Inquisition."

In particular, taxpayers will feel the sting of two special IRS efforts this fall. The first, already under way, is a long list of queries known, ominously, as "The Twenty-Seven Questions." They were designed by the IRS to ferret out hidden income that folks aren't reporting on their 1040s, and heaven help you if you're chosen: You could spend countless hours on this tax equivalent of a strip search.

Though the questions themselves are old, the IRS has put a new emphasis on having agents ask some or all of them of taxpayers under audit. That's why the agent asked Stives about his client's house, bank and car. For the full list, see box, p. 95.

The Twenty-Seven Questions could be asked of any taxpayer called in for audit. The IRS' other special effort will hit only 153,000 randomly selected taxpayers. These unlucky lottery winners will be audited under the dreaded TCMP—Taxpayer Compliance Measurement Program—a.k.a. "the audits from hell." The beginning date for this controversial research program was recently delayed by the IRS, and is now set for Dec. 1.

You may have heard about these audits already: In them the IRS requires taxpayers to prove in minute detail the truth of each item on their returns, while searching as well for hidden income. Each deduction must be justified—say, by producing a birth certificate for each child. And, in many cases, the agent will go over a taxpayer's bank statements asking for an explanation of every deposit. If you can't remember that this $1,200 was a rebate from an auto company or that $5,000 was a gift from your aunt, you may end up owing tax as if it were income.

What lots of people don't know is that for this TCMP the taxmen have rejiggered the lottery so that some taxpayers have far, far greater chances of being chosen than others. If you are a lawyer, accountant or engineer in a partnership with more than 11 partners, for example, there's a 1-in-10 chance that your partnership will be audited. For a rundown of odds, see box, p. 94.

Many FORBES readers would find multiple root canals pleasanter and cheaper than this audit from hell. They are especially nasty if you have a complex return—say, with partnership or S corporation investments. "Here a TCMP can easily take five times as long and cost five times as much as a normal audit," says Stuart Becker, a CPA with Becker & Co. in New York. A normal audit, by the way, might run up four hours of your CPA's time, at $100 an hour.

Faced with this bad news, what's a poor taxpayer to do? Stay calm, be careful and keep things in perspective. The IRS is powerful, but not all-powerful. There are even times that you can just say "No" to IRS intrusion.

HOW

First, remember that your chances of enduring a face-to-face audit are far lower than ever before. The current audit rate for all taxpayers is 1 in every 139 returns, way down from 1 in every 20 in the early 1960s. For those with incomes above $100,000, it is 1 in 56. But if you do get hit, the experience will probably be painful and expensive.

In fairness to the IRS, it is not a den of fascists or sadists. The list of Twenty-Seven Questions, for example, is a response to a very real problem that both Congress and the General Accounting Office have insisted the IRS pursue. It is that Uncle Sam loses about $60 billion in taxes every year from individuals who underreport their income. Normal audits miss most of this income. So the IRS—and presumably Congress, too—has decided that abnormal audits are needed.

Don't meet with the IRS yourself for an audit. Send your tax adviser instead.

IRS Chief of Compliance Phil Brand points to a recent IRS study of taxpayers in California that included 3,200 gas station owners: "Their average income was $11,800," he says. "Now that just wasn't realistic: The poverty level in California is $11,186." Even the ultratough TCMP audit shows that 75% of taxpayers who file a Schedule C for a business comply with the tax law. But when agents tackled this group with the Twenty-Seven Questions, the compliance rate fell to a more realistic 47%.

If you are paying your fair share of taxes, presumably you want the IRS to go after these scofflaws. What you don't want is to spend precious time and money proving to the IRS that you aren't one of them. Unfortunately, the odds are stacked against you. Most taxpayers who have challenged the IRS' right to conduct audits as it sees fit have lost. In one typical court case decided by an appeals court in 1980 (U.S. v. George Flagg, 634 F.2d 1087 8th Circuit 1980), a taxpayer who asserted that he had no obligation to cooperate with a TCMP audit was slapped down.

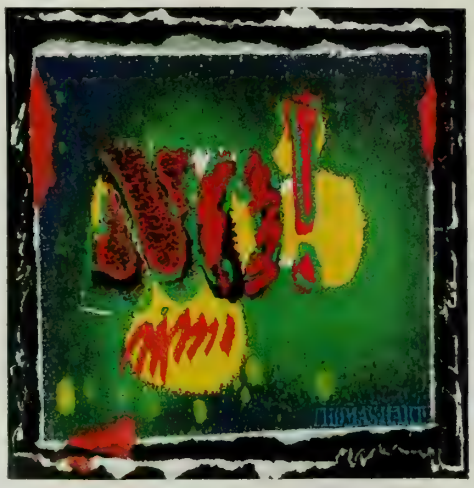
Two other things are on the IRS' side in its give-no-quarter campaign. One is the enormous complexity of the tax code. The other is the high cost of professional help, which makes resistance hard for the taxpayer. At a certain point it may make sense to give in to an unreasonable demand because it's cheaper than fighting.

So if you don't play ball during an audit, here's what the IRS can do. First, it can simply end it and assess taxes and penalties based on what it thinks is true, and leave y to fight it out at a higher le inside the IRS or in court. If y take on such a fight, prepare spend a lot of money, but you n win. In fiscal 1994 the IRS appe office settled $12 billion of asse ments for about $3 billion, though these figures are skewed some large corporate cases.

The IRS can also go after missi information that you can't won't supply. It can issue a su mons to your employer, bank credit card company, or even ar body who has given you a gift. must tell you that it is doing th and you can appeal it, but har anybody ever wins.

If the IRS or the courts determi that you owe taxes but you don't pay, you are likely to ha liens slapped on your property, or payments to y garnished. The IRS can even go after the assets of an spouse, if the partner was married to the taxpayer at t time of the deficiency and signed a joint return. If t taxmen feel that you and/or your assets might skip tow they may be able to get what's called a jeopardy asse ment, seizing what's owed by confiscating your prope or freezing your bank account.

To see how bad things can get, look at what happened Dr. Bernard Barrett Jr., a plastic surgeon in Houston w has worked with, among others, Michael DeBakey a Denton Cooley. His case has dragged on for 16 years a is still open. It arose after disgruntled ex-employees t the IRS the surgeon was skimming cash from his practi "At the beginning," he says, "we cooperated fully, ev giving them an exam room with a desk to work in. Or later did we start fighting them."



Don't give the IRS a free hand to rummage through all of your records.

When Barrett refused a reque from the agent to extend the stat tory three-year deadline for the I to review a tax return, the I lowered the boom. It made his criminal case and, among oth things, sent letters to 386 of l patients, saying that Barrett w under criminal investigation a asking for payment information.

"The days those letters hit," sa Barrett, "it was like an atom bomb dropped. You had husban opening the mail when their wiv had never told them they had h breast augmentation." Word g around. "Other doctors I depen ed on for referrals dropped me li a cold fish."

But Barrett was clean. So muc so that the IRS closed its crimin investigation without bringi charges and without assessing e

tra taxes. He didn't owe a dime. By then, however, the surgeon had sued the IRS under a provision designed to protect taxpayers' privacy.

The result: An appeals court recently ruled that the IRS' disclosures to Barrett's patients were so egregious that he deserves compensation for economic damages. Experts for Barrett put his loss at $8.6 million, but the IRS disputes that, and the case is still pending. Nothing and no one, however, can compensate the surgeon for the hundreds of lost hours, the aggravation and wear and tear on his nerves.

Still, Barrett was relatively lucky: Few innocent taxpayers who are run through the IRS wringer get anything at all. Although in 1982 Congress gave wronged taxpayers the right to collect attorneys' fees if the IRS' behavior can be shown to be unreasonable, this is scant protection. For one thing, the meter for fees starts running only once a case is headed to court. That excludes all fees incurred while the case is still inside the IRS, which accounts for many of them.

And you can't get any recovery if your net worth is over $2 million—$7 million for a business. The reimbursable amount usually tops out at about $100 an hour, half what many good lawyers would charge. So last year only 24 people got awards. "Right now, the law is more of a shield for the government than a sword for the taxpayer," says attorney Robert Duffy of Blanchfield Cordle & Moore in Charlotte, N.C.

Only Congress can change the law to ease this burden on wronged taxpayers. It may be moving a bit in this direction. Recently a House Ways & Means subcommittee recommended changes that would make it easier to get attorneys' fees and raise them somewhat. Ways & Means chairman Bill Archer (R–Tex.) is even backing a tax credit of up to $3,000 for accountants' fees for TCMP victims.

Let's hope Congress will at least do this. It should do more, for example, reimbursing taxpayers for the costs of fighting the IRS before a case gets to court if the IRS is unreasonable, and ending discrimination against the wealthy in attorney's fee cases. Lawmakers might even consider why the tax code is the wretched complex mess it is, requiring so many wrangles with taxpayers. With a flat tax, for example, there would presumably be no disputes over deductions because there wouldn't be any.

Meanwhile, what should you do if worse comes to worse and the IRS selects you as a victim? Whatever you do, do it carefully. Walk on eggs.

Don't panic and don't get huffy. Be unfailingly polite, but adopt a policy of what William Raby, a CPA in Tempe, Ariz., calls "controlled cooperation." He means: Provide relevant information but don't give the IRS free rein. Says David Leeper, an attorney who handles lots of tax controversy cases for Leeper & Leeper in El Paso: "In most cases we see, the information against the client has been generated unwittingly by the client."

In particular, don't cede the powers that you do have. Here are some:

■ Always send your tax expert to meet with the IRS instead of going yourself. Your agent can legitimately claim ignorance on matters that you can't. When the agent asked Douglas Stives for information about his client's house, bank and car, he merely said, "I have no idea." But if his client had been there, she would have been on the spot.

Can the IRS insist that you be there, too? Yes, but usually it must issue a summons, and it rarely does.

There are other reasons not to appear in person. On another recent visit to the IRS, accountant Stives witnessed this scene: A taxpayer at the next desk in the open-plan office was making arrangements to pay $3,000 in overdue payroll taxes. After approving the arrangements, the agent started pressing, in a polite way, for answers to the Twenty-Seven Questions. "It was really awful," says Stives. "After asking all about her house, bank account and car, she [the agent] insisted that the taxpayer detail all the contents of her safe-deposit box, and even made her give impromptu valuations of jewelry her mother gave her."

Never let IRS agents visit your home or office unannounced.

Had this harassed taxpayer known her rights, she could have refused to answer the questions. One of the few rights the courts have given taxpayers under audit is protection from an IRS "fishing expedition." This principle comes from several cases decided in the 1970s. At the time, the IRS was trying to force corporate executives to answer detailed written questions designed to unearth illegal foreign bribes. The courts decided that even the IRS' broad powers didn't allow that.

So what's a fishing expedition? There's no hard-and-fast definition. Most of the Twenty-Seven Questions come suspiciously close, especially if the agent asks a lot of them. The IRS clearly knows it, and is sensitive on this point. In June one IRS official told a group of CPAs who were angry about the Twenty-Seven Questions, "So don't answer the questions. We aren't going to subpoena the information."

The experts know this, but many taxpayers don't. The woman Stives overheard didn't. The more you let the IRS fish, the more chances there are it will catch something.

Take a simple question like, "What is your level of education?" It sounds innocent, but experts warn that when an IRS agent asks it, he or she may actually be trying to prove you were smart enough to know that something you did was wrong. That can lead to a fraud case.

■ Don't let the IRS audit you year after year for the same thing. Its official policy is to desist if it has gone after you in

the two previous tax years and you have come up clean both times. Just say no. And you may be able to wriggle out even if previous exams uncovered small amounts of deficiency or were excessively arduous. It's worth asking.

■ Never let IRS agents visit your home or office unannounced. They have no right to do this. In general, try to keep the IRS as far away from either place as possible for as long as possible. "Do you want an agent inquiring why you have Limoges china that you inherited from your grandmother?" asks Chicago attorney McKenzie.

Exception: If you have a home office, says New York c Stuart Kessler of Goldstein Golub Kessler, "letting the see it may be the best proof that you deserve to deduct i

■ Don't give the IRS a free hand to rummage through yo records. Resist, for example, an agent who wants to ver your entertainment deductions by checking every sin bill. Go along if the agent picks a few dates from yo calendar, verifies those and moves on if they are okay. B demanding proof of every deduction can be harassment you are being nitpicked to death, have your adviser requ

Torture audit

THE IRS says the chance a tax return will be randomly selected for a line-by-line Taxpayer Compliance Measurement Program research audit is about 1 in 800. But as this table shows, the odds are far worse if you are self-employed. The IRS samples are heavily skewed toward the self-employed and those with high incomes. Thus taxpayers who don't itemize or file any schedules have only a 1 in 6,616 chance of being picked.

But a self-employed taxpayer with gross receipts on his Schedule C of more than $25,000 has 1 chance in 112 of being put through this wringer. A small C corporation with assets of less than $10 million has a 1-in-68 chance. A handful of tiny subgroups even have a 1-in-2 chance.

Why are the odds so uneven? Because the IRS has divided small business into 23 market segments, some of them—like cab driving—narrow ones where there is probably lots of cheating. (The IRS insists this is just a coincidence.) It wants to study each business segment by geographic area and by type of return (corporate, individual, partnership). With smaller groups, a higher percentage has to be audited to get a valid sample. The taxicab/bus market segment, for example, has fewer than 50,000 taxpayers nationally—thus 1 in 19 will be selected.

If you get picked, you are in for a rough time. A TCMP audit takes two to five times as long as a normal audit, as IRS agents demand each deduction be documented, down to asking for a marriage license to prove you are eligible to file a joint return. Former IRS Commissioner Fred Goldberg estimates that accountants' fees and other out-of-pocket costs will average $5,000 to $10,000 per audited taxpayer.

In the most recent TCMP, which covered 19 returns, New York City CPA Stuart Becker of Beck & Co. billed an internist who was also a medical pr fessor about $8,000 to meet the auditor's demands. Among other things, he had to docume the source of each bank deposit. "He had excelle records," fumes Becker, "but we couldn't document the source of just one deposit—for $1,200 So they called it unreported income."

Is this torture really necessary? It certainly is e pensive. The IRS budget for this three-year project $560 million. Add to tha the $750 million or more will cost taxpayers, and the total bite to the U.S. economy is $1.3 billion. But Goldberg, who blocked a smaller TCMP when he was commission er, considers the program's design wasteful.

And if the government is convinced these audits are absolutely necessary, shouldn't it pay for them

Evidently, House Ways & Means Chairmar Bill Archer agrees: He re cently backed a proposal that would give a refundable tax credit to individu taxpayers subjected to TCMPs. Each could claim t to $3,000 of audit preparation fees and related expenses.

That would be a beginning. –J.N. ■

What are your odds?

Lawyers, accountants, engineers and architects	Odds
1040, gross Schedule C receipts of $150,000 to $1 million	1 in 51
1040, gross Schedule C receipts of $60,000 to $100,000	1 in 81
Partnership, 10 or fewer partners, receipts of $100,000 plus	1 in 115
Partnership, 11 to 250 partners	1 in 10
S corporation, assets up to $200,000	1 in 239
S corporation, assets $200,001 to $10 million	1 in 24
Doctors, dentists and other medical providers	
1040, gross Schedule C receipts of $150,000 to $1 million	1 in 79
1040, gross Schedule C receipts of $60,000 to $100,000	1 in 159
Partnership, 10 or fewer partners, receipts of $100,000 plus	1 in 76
Partnership, 11 to 250 partners	1 in 14
S corporation, assets up to $200,000	1 in 212
S corporation, assets $200,001 to $10 million	1 in 37
Taxicab, bus and air service operators	
1040, gross Schedule C receipts of $150,000 to $1 million	1 in 11
1040, gross Schedule C receipts of $60,000 to $ 100,000	1 in 5
Partnership, 10 or fewer partners, receipts of $100,000 plus	1 in 4
Partnership, 11 to 250 partners	1 in 10
S corporation, assets up to $200,000	1 in 30
S corporation, assets $200,001 to $10 million	1 in 7
Auto and boat dealers and gas stations	
1040, gross Schedule C receipts of $150,000 to $1 million	1 in 58
1040, gross Schedule C receipts of $60,000 to $100,000	1 in 295
Partnership, 10 or fewer partners, receipts of $100,000 plus	1 in 33
Partnership, 11 to 250 partners	1 in 1
S corporation, assets up to $200,000	1 in 82
S corporation, assets $200,001 to $10 million	1 in 71

Your business, the type of return you file and your income all affect the odds you'll be picked for a TCMP audit. The fewer returns like yours, the more likely you'll be tapped.

Nosy, nosy

Don't be surprised if an IRS agent asks you some or all of these questions, many of them only remotely related to your tax return.

. Home phone number.
. Work phone number.
. Date of birth of Mr. X.
. Confirm that 1994 is an extension—please provide copy.
. Either spouse previously married? Paying or receiving alimony or child support? If so, how much and paid to whom?
. Educational background of both—highest level achieved—degree received, etc.
. Mr. X's previous occupation, employer and date.
. Date of birth of children.
9. Purchase documents—application, closing documents, etc., for home. Who is mortgage holder? [What is the] payment?
10. What other real estate owned and when acquired? Monthly rent? Do you manage or do you have a management company?
11. Did you make any improvements during 1993 to any of your real estate? What was done, how much was it and how was it paid for?
12. How many autos do you own? What are they? What is the payment?
13. Do you own any large assets (over $10,000) besides auto and real estate? What is it, where is it kept? Is it paid for—if not, what is the payment?
14. Did you sell any assets in 1993? If so, what, to whom and how much?
15. Did you loan anyone any money during 1993? If so, who and how much?
16. Did you receive repayments of any loaned money in 1993?
17. What loans do you have besides auto and mortgage? How much? Monthly payment?
18. Do you ever take cash advances from credit cards or lines of credit? How much and how often?
19. What cash did you have on hand in 1993 usually, personally or for business, not in a bank—at your home, safe deposit box, hidden somewhere, etc.?
20. What is the largest amount of cash you had at any one time in 1993?
21. Did you transfer funds between your accounts? If so, how much and when?
22. Did Mrs. X deposit her paychecks into the bank? What account?
23. Did you ever redeposit funds previously withdrawn from your accounts?
24. Do you have a safe deposit box? Where? What is kept in it?
25. Were you involved in any cash transactions of $10,000 or more?
26. How long has business been at its current location? Where was it previously?
27. Employee business expenses—what meals are being deducted? Please provide appointment calendar, receipts, business purpose, business relationship for all expenses. ■

meeting with the agent's supervisor, says New York CPA David Marcus of Paneth, Haber & Zimmerman.

Don't put up with any breaches of confidential information about a dispute with the IRS. The taxmen can talk to third parties about you. But they can't disclose confidential information about you unless it's necessary to get information not otherwise reasonably available.

Where do you draw the line? The IRS was clearly out of bounds when it wrote to Dr. Barr's patients disclosing that he was under criminal investigation. And it may have crossed over when it asked them for information available from bank records, says Barr's lawyer, Edward Urquhart, a privacy expert in Houston.

Don't give a blanket extension of the statute of limitations for a return that's on audit, although the IRS may want one. Try to restrict the extension to one or two items. Larry Elkin in Hastings-on-Hudson, N.Y. found this out the hard way. In one return with a blanket extension, the IRS used a court case decided after the statutory three-year deadline to disallow deductions. Dirty pool, ex post facto.

You may have to tell the IRS things about yourself, but you don't have to snitch on anybody else unless you get a summons. If an agent asks casual questions about another taxpayer—say, a supplier of your small business—think before you answer. Let the agent go fish in other waters.

■ Be on your guard if the IRS wants to interview your employees. Although the law isn't crystal clear, you often have the right to have your attorney present, says Robert Nath of Odin, Feldman & Pittelman in Fairfax, Va. But you may not if your workers are independent contractors.

Marc Rosenthal

Don't put up with any breaches of confidential information about a dispute you are having with the IRS.

We don't mean to demonize the IRS. Many agents are hardworking people with a job to do. But they would be more than human if they didn't use your fear to their advantage. Don't be awed.

From his own experience, CPA Stives tells of how he handled the IRS' unreasonable demands on his client mentioned at the beginning of this article. At the end of the first interview with Stives, the IRS agent asked him to bring in the information about his client's house, car and bank accounts.

Did he do it? No. "I thought it wasn't relevant," says Stives. But he did explain several deductions the IRS asked about, and left the matter there. And that's the last he ever heard. ■

When Virgil Farstad retired from his oil company, he got bored and started a decoy business. He isn't making a dime, but he's having a blast.

"A great way to retire"

By Christie Brown

AFTER DECADES in the business, Virgil Farstad sold his Minot, N.D.-based oil service company, $150 million (sales) Farstad Oil, to his son Jeffrey, and retired in 1984.

"I don't drink, I don't chase women, and I hated retirement," snorts Farstad, who is 61, looks 80 and has the energy of a 20-year-old.

While out hunting wild geese in 1990, Farstad was frustrated by the uselessness of his stationary bird decoys. "Geese aren't stupid," he cracks. "They're not fooled by a bird that doesn't move."

Farstad came up with one that did. Tinkering in his garage, he devised a simple ball-bearing mount. Attached to a decoy, it makes the fake goose waggle in the wind. Farstad staked out his gussied-up decoys in a wheat field and watched as they lured in scores of live geese. "It was goose heaven," he grins.

But his pet peeve was pigeons. "They were crapping all over my deck," remembers Farstad. So he attached his whirligig mounts to some plastic owls bought at the hardware store. No more mess on his deck. The gyrating owls scared off the pigeon population.

Farstad patented his mount, and ended his restless retirement. In 1990 he formed his new company, Rice Lake Products, Inc. Its nine products are all based on the "Look-Alive!" mount, sold with or without owls and geese attached.

Farstad has so far invested $875,000 of personal savings in his business, buying a molding plant, building offices and buying owl and geese decoys from wholesale manufacturers in Italy and Ohio.

Happy ending? Life isn't that simple. Farstad's sales this year will be a puny $125,000. Profits? Zero.

Farstad has faced a problem common to many entrepreneurs: You may have a workable, interesting gimmick, but just try getting it to the right retailers on acceptable terms. "We've run into constant roadblocks getting in the large channels of distribution," he complains.

"Buyers have seen hundreds of these things that come and go and been burnt by small companies," he adds. "It's hard to prove we'll be around ten years from now, but we will. If you've got 100 birds sitting on an area, we promise our owl will scare away 80."

To drum up interest Farstad has sent agents throughout the Midwest with trailers full of mounted owls, calling on mom-and-pop sporting goods shops. He has exhibited at trade shows. Farstad has been able to get his products carried in about a dozen hunting and gardening catalogs, but sales remain sluggish.

Farstad found himself enrolled in a crash course on distribution. He discovered he had to make a choice between the big discounters and smaller independents. Each channel had its advantages, but for Farstad's purposes they were incompatible with each other.

In 1991 the "Look-Alive!" mounts were selling in 48 Wal-Mart stores for $19 apiece or less. But that infuriated Farstad's mom-and-pop stores, which retailed the mount for $20. Farstad also discovered that landing Wal-Mart as an account was no bonanza.

"Our profit is $4 at mom-and-pop shops versus 50 cents at Wal-Mart," he says. That's because Wal-Mart demanded special packaging and promotion, and billed the costs of return for product that didn't sell. "I think we probably could have done $500,000 sales crash-bang through the discounters, but I didn't want to," says Farstad.

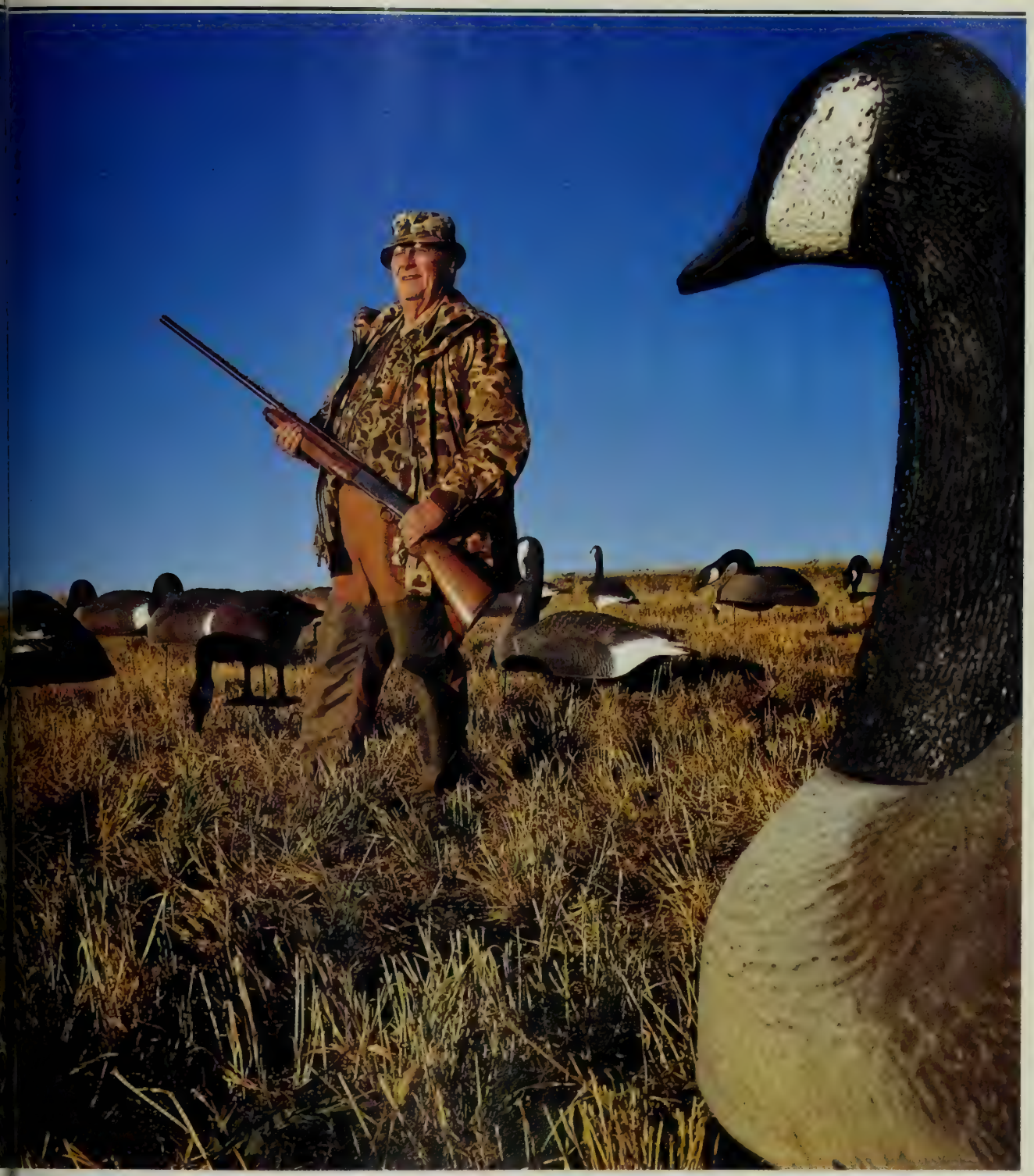
So Farstad is focusing his sales efforts on 1,600 specialty stores. He also decided to forget about profits for a while and push for volume. To that end he lowered prices across the board. The mount, which originally sold for $20 retail, is now going for $10; the conventional owl was $40, now $30. A new owl decoy that emits a hawk screech every 18 minutes has dropped a third, from $149 to $96. "We have gone into a penetration mode rather than profit recovery," says David Erickson, Rice Lake Products' accountant.

A marketing unit run by Farstad's daughter Deborah and son Jeffrey makes promotional videos and has set up a toll-free order number, 1-800-BUY-OWLS. A "Look-Alive!" wall calendar has been sent to 3,000 gun clubs. It features a sexy photo of Farstad's 20-year-old blonde granddaughter in shorts holding a shotgun and su rounded by goose and turkey decoy

Steve Wont

And Farstad's hometown has bee loyal. Minot, population 35,000, h been Farstad's best customer. Mar stores, including banks, bakeries an hospitals, have an owl on the roof.

Beyond that, market penetration going slowly. The Japanese agricu



Virgil Farstad, with his patented goose decoys that waggle in the wind

"It's hard to prove we'll be around ten years from now, but we will."

al ministry recently purchased 115 ech owls to put on top of grain s. Regional electric companies ve bought the owls for pest control phone lines. Farstad even sent an l to NASA recently when the shuttle s being attacked by a woodpecker. response.

Cruising home in his mud-spattered beige Lincoln Town Car, which has a headlight busted out from a collision with a seagull, Farstad is totally undeterred by the obstacles. You even get the feeling he would get bored if things were going smoothly.

"Some guys like yachts, I like to scare pigeons," he chuckles. "It's been a great way to retire."

Plantronics is finally making a product its president will use. Does this mean the telephone headset maker can successfully reach out to new markets?

Hands-off pitch

By Damon Darlin

Robert S. Cecil, Plantronics president and chairman **Company engineers took plaster casts of 700 different ears to develop the perfect headset.**

HE'S THE PRESIDENT and chairman of Plantronics, Inc., the leading U.S. maker of lightweight telephone headsets, but Robert S. Cecil wouldn't use his own company's products until early this year.

Fumbling with a conventional Plantronics headset used primarily by telemarketers, Cecil explains why no one would use the old model unless he really had to. It's irrit ing to put on and take c the over-the-head ba messes up your hair. makes you feel like a te phone operator. Telem keters had no real alterr tive, but everybody else including Cecil—did.

Telemarketing grow has slowed to 5% a year, a Cecil knew his Santa Cr Calif. company needed n markets. He decided to after other people w needed to keep their han free while talking on t telephone: brokers, sto market traders, real est agents, executives.

Among the fruits of t effort is something call FreeHand, the first comp ny product that Ce claims to use himself. Intr duced in March, it is cheap—$220, versus abo $100 for a more traditio model. It's a plastic p that fits into one ear, wit wire running to the phon There's a small microph that hangs down from t earpiece. The whole unit no more than 4 inches long and can worn all day without discomfort.

FreeHand is a far cry from t chunky eyeglasses embedded with tiny transistor radio that was the co pany's first product. Imported fro Japan by a United Airlines pilot 1961, the novelty item never caug on. But the pilot had used the hea sets to help him hear conversations

a noisy cockpit while keeping his hands free for the controls. He began making lightweight headsets for the airline industry.

Reservations clerks followed pilots, then came telemarketers. Plantronics' products got a promotional lift when they were worn by astronauts on the Apollo moonshots.

The pilot cashed out long ago, and by the time Cecil was called in, the $96 million (sales) company was saddled with $160 million in debt and $22 million in annual interest payments, thanks to a leveraged buyout in 1988.

The company, though still the leader in its business, began deferring interest payments to squeak by, as it also deferred research and development. "We saw the cliff out there," says Marv Tseu, now the company's marketing chief.

A former Motorola and LIN Broadcasting senior executive, Cecil, then 56, was wooed out of early retirement by Citicorp Venture Capital, which owned 36% of the company, in March 1992 to become chief executive.

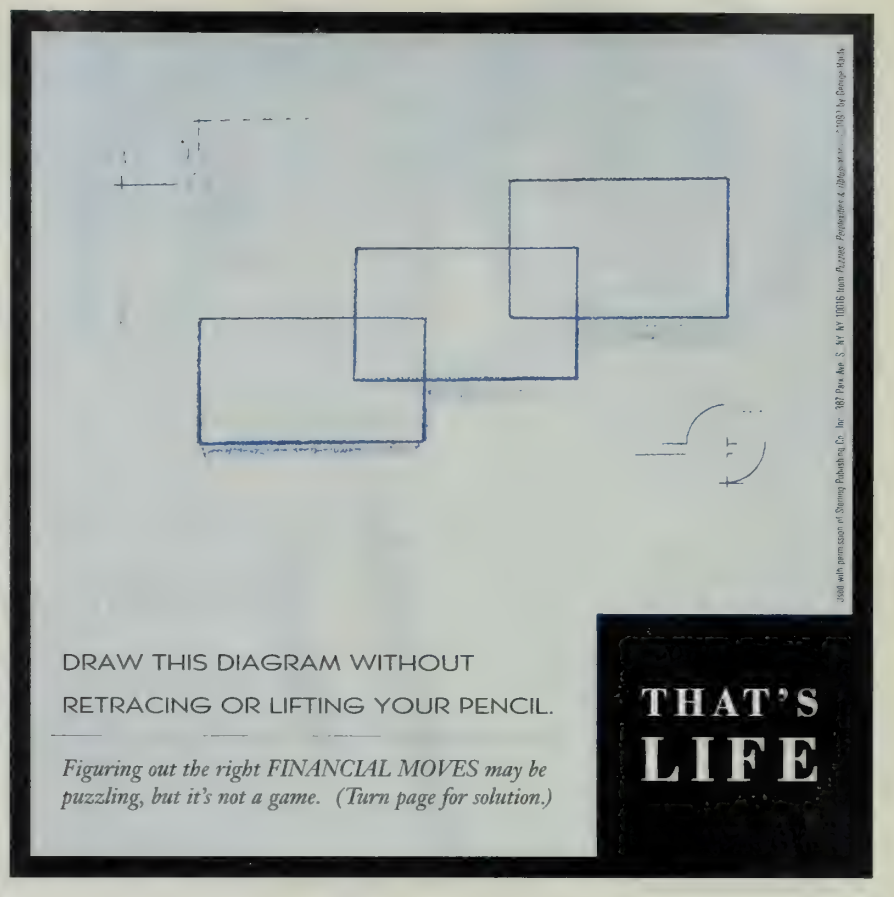
Cecil hired a team of industrial designers to work on new, smaller products and gathered focus groups to learn what bugs people about phones. By moving all production from California to Mexico, Cecil made Plantronics the low-cost producer of telephone headsets.

But though it was early on the scene, Plantronics now has tough competition: the GN Netcom unit of Denmark's GN Great Nordic Ltd. and nearby ACS Communications, which was started 11 years ago by former Plantronics employees.

To stay ahead Cecil is counting on those new products. To make sure new devices fit different kinds of ears, Plantronics made plaster ear casts of 100 people worldwide and scanned hundreds of head shapes into its design computers. "We are extremely data rich," says Cecil.

Only 1% of the potential 56 million office customers currently use a headset. That's both an opportunity and a problem. Headsets are hard to find in office-supply catalogs and even rarer in the giant office-supply stores.

So Cecil is ordering up colorful new packaging and point-of-purchase displays. New products include a $250



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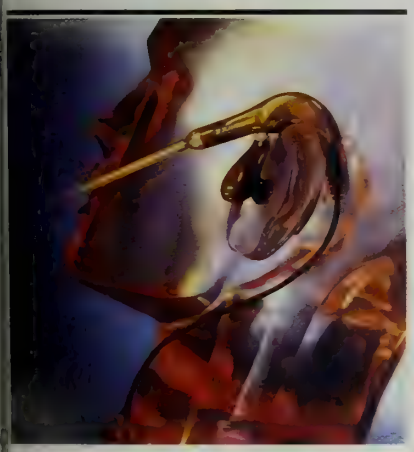
:ordless telephone/headset and a ıeadband-less model called the Mi-'age that hooks over the ear.

Tackling distribution, Cecil has igned a deal to get the company's ıew products into Office Depot's 454 tores soon. This fall Plantronics ›roducts will be carried by Boise Cas-ade, an office supply catalog 80% ›wned by the big forest products ompany. The nation's biggest, it ;oes out to some 900,000 corporate ustomers.

The company also plans to play on ;orkers' fears that cradling conven-onal telephone handsets causes "cu-ıulative trauma disorders."

Once-floundering Plantronics is fi-ancially healthy again. It reported a et income of $20.8 million on sales

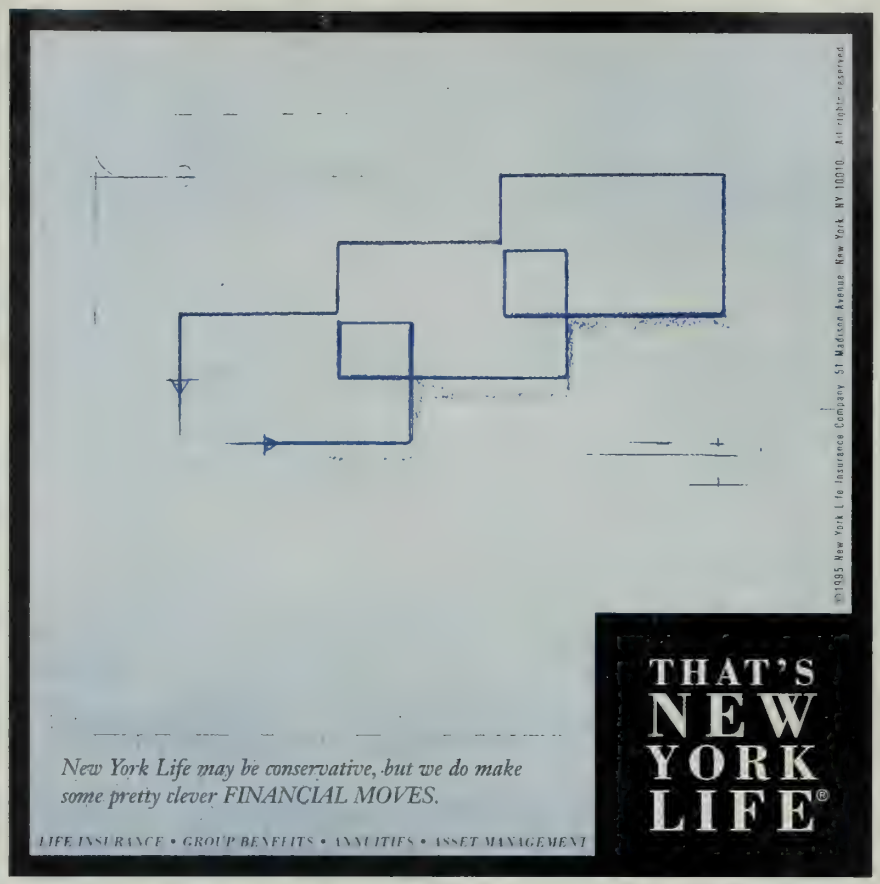


e Mirage headset
ve-bye operator look.

$170 million in the fiscal year ıded in March 1995.

Solin Cho, an analyst with Smith arney, estimates earnings will grow 7% this year—to $2.79 a share—and 5% in 1997. At about $37.50 a are, Citicorp Venture's investment s tripled since January 1994, and if alyst Cho's figures are right, the ›ck should have a lot further to go.

And while telemarketing may be ttening in the U.S., it's booming in ırope and starting to happen in pan and parts of Asia as toll-free mbers and credit cards proliferate. Cecil is investing heavily in an over-s sales force—selling devices to the f-track betting parlors of the Hong ›ng Jockey Club, among other cli-cts—and already has about 20% of e Japanese market.



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Bud Adams has a blunt message for his fellow Houstonians: If you want the Oilers to stay, ante up.

Bottom-line Bud

By Christopher Palmeri

THE OFFICE of Houston Oilers owner K.S. (Bud) Adams Jr. is a throwback to the glory days of the oil boom. The cavernous room is packed with antique guns, desert flora and first-class Western art. A mural depicts Adams' life in American Indian stick figures.

Yet this quintessential oilman and son of an oilman is negotiating to pull his football team out of his hometown. The Oilers, a franchise Adams founded in 1959, is trying to cut a deal with Nashville, Tenn., a city one-quarter Houston's size.

Adams says Houston's multipurpose Astrodome is no longer adequate. He wants a stadium designed specifically for football, with more seats on the sidelines and more lucrative luxury suites, more restaurants and shops—a kind of football-oriented theme park. Houston has already told him it won't build him what he wants. Adams is therefore negotiating a move to Nashville, where the city fathers think they can convince voters to build Adams' dream stadium.

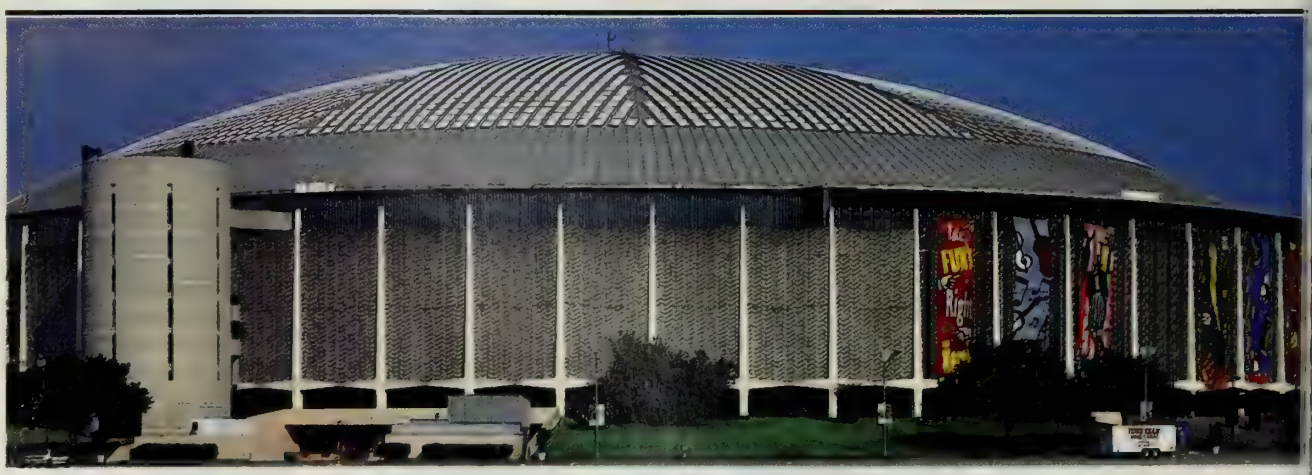
Similar situations are playing themselves out all around the country (FORBES, *June 6, 1994*) and are particularly fierce in the National Football League, where more than one-third of the 30 teams are looking for new stadium deals. In Chicago and Seattle teams are talking about relocating; Los Angeles, the nation's second-largest city, has no professional football team, having lost two this year.

Why do teams all of a sudden need bigger and better stadiums? The National Football League always practiced a crude form of socialism: 90% of the revenues were pooled and shared equally among the member teams.

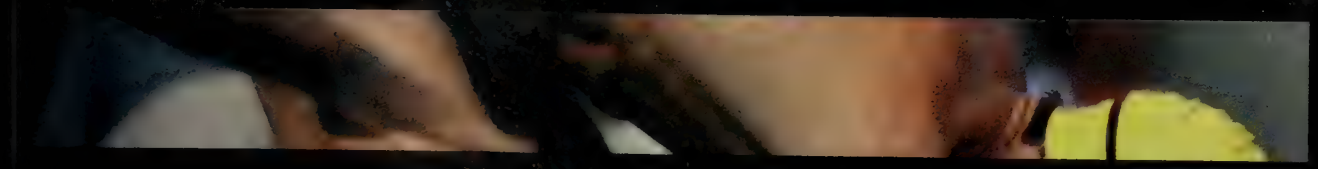
In recent years, however, revenues from unshared sources have grown

Robert Rogers/Photo Collection

Houston Oilers owner Bud Adams (above) and the 30-year-old Astrodome **Owners claim they need sweet stadium deals to compete. Taxpayers must decide if towns really need teams.**



ou're about to dive into new ways of doing business.



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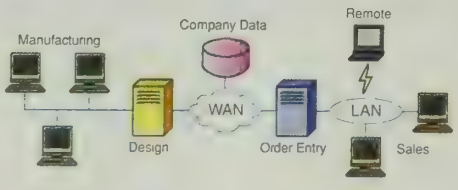

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Dallas Cowboys owner Jerry Jones (left) with newly signed star Deion Sanders **His team's stadium sponsorship deals are shaking up the old socialist order of the NFL.**

greatly: from advertising in the stadiums, food and drink concessions and luxury seating. Dallas Cowboys owner Jerry Jones is considered the master marketer. The Cowboys have the highest stadium revenues in the league, with more luxury suites than any other team, and control over food and parking. Jones has even tested the limits of what is considered proper by signing a stadium concession deal with PepsiCo, for example, even though Coca-Cola has paid heavily to be the official soft drink of the NFL. The NFL has recently sued Jones over this issue.

Greedy owners? Sports fans tend to see it that way, but there is another side: With fatter revenues, teams can afford to bid for better players and thus win more games and make the fans proud. As long as they were totally dependent on the old shared revenues, it didn't pay them to pay big signing bonuses, notes Paul Much, a sports team appraiser at Houlihan Lokey Howard & Zukin, in Chicago.

Back to Bud Adams and his Oilers. Adams says he needs a new stadium to compete for players. The Oilers play in the 30-year-old Astrodome, which is owned by Harris County, Tex. and managed by Houston Astros owner Drayton McLane Jr. Adams says he is paying too much in rent and not getting a big enough piece of stadium revenues. "They called the Astrodome the eighth wonder of the world," Adams has said. "Then my lease is the ninth wonder."

In 1987 Adams had an attract offer to move the Oilers to Jacks ville. To keep him, the county agr to build more skyboxes and add m seats to the Astrodome. The cou floated $67 million in bonds, back by property taxes and a doubling the hotel tax.

Unfortunately, the money largely wasted. Adams soon wante better deal, despite his ten-year lea He proposed a new $245 milli stadium, nicknamed the "B Dome" and financed mostly by n taxes. Houston's mayor said no. T mayor's defenders point out that fa cy stadiums nurture local pride but little for the local economy.

So Adams began negotiating w Nashville. He has asked for a n stadium to be built and leased to h for what will amount to a minin rent. He has also asked for a ten-y guarantee from the city that 65,0 seats per game will be sold. Nashvil badly wanting major-league stat hopes to finance the $200 million so project through a mixture of pub and private money.

However, Adams hasn't inked t deal with Nashville and will m likely keep up the pressure on Ho ton. In "Turfgate," as Houstonia have called it, the NFL canceled a m August preseason game after the C ers and their opponents complain the Astrodome's artificial turf was n safe. Adams did not show up, b 28,000 disappointed fans did.

None of this has made Bud Ada popular in his hometown, where t sportswriters have taken to calli him "Bottom-line Bud." The Oile long-term record is a below-avera .463; last year the team had the wo performance in the league, winni only 2 of 16 games.

Adams recently agreed to keep t team in Houston until his lease e pires in 1997. Faced with the choi of losing the team or paying high taxes, Houstonians will probably s good-bye to the Oilers. Faced wi choosing between being booed the local fans and losing money, B Adams will almost certainly accept t Bronx cheers. "By the year 2000 y won't see many football teams playi in baseball parks," Adams has sai And you probably won't see the O ers in Houston.

Go, Lugnuts!

THE STADIUM SHUFFLE is also being played out in much smaller cities, with minor league teams. Lansing, Mich. (pop.: 132,000) recently lured the Single-A baseball Sultans away from Springfield, Ill. with the promise of a new stadium.

Lansing's 6,000-seat Oldsmobile Park, to open next April, will feature an all-brick facade, a grassy area near right field for corporate picnics, and 26 luxury suites renting for up to $25,000 per year. Rather than float a bond issue to finance the $13 million project, Lansing borrowed the money from local banks. The loan will be serviced by stadium revenues and money saved from refinancing an unrelated bond issue.

The team has been renamed the Lansing Lugnuts. Plans are under way for new restaurants, a microbrewery and a new hotel in Lansing's dreary downtown.

"No new taxes and 300,000 people coming to downtown," boasts Timothy Offtermatt, an A.G. Edwards investment banker who helped the city put the project together. "This is going to be an exciting time in Lansing." –C.P.

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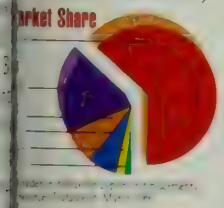

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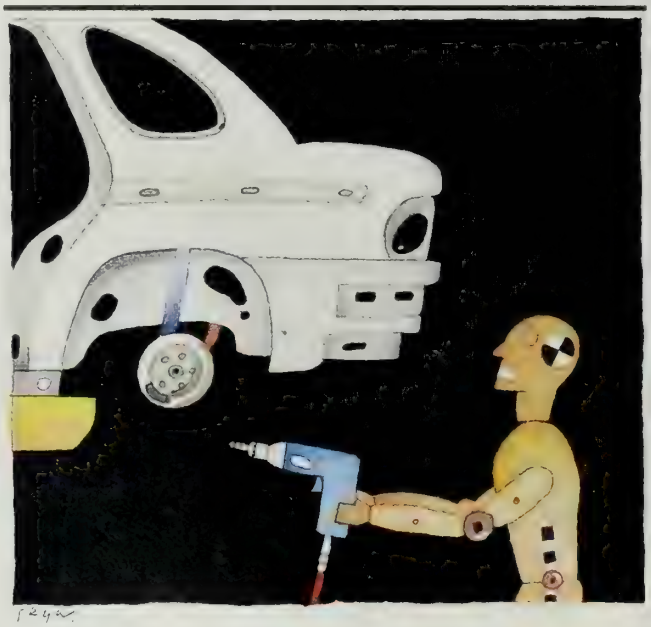
Gone are the days when all you needed was strong biceps. To get a factory job these days you've usually got to pass a battery of tests.

Can you tell applesauce from pickles?

By Jerry Flint

THE WORST auto-plant work crews I ever saw were at GM plants about 15 years ago—one in Fremont, Calif., near San Francisco, and the other at Lordstown, in eastern Ohio. One of my sons was a Trotskyite at the time, and he complained: "They hired so many Maoists at Fremont that we were convinced the Maoists had captured the personnel department." If they had, the work force wouldn't have looked much different.



GM finally gave up and shut the plant. Later it became a GM-Toyota joint venture, building the small Japanese Corolla car and a version for GM called the Geo Prism, but only after Toyota de-Maoed the place, taking back only half the former workers. The Maoists, Trotskyites and cross-dressers, if still there, have gone underground and make no trouble.

Lordstown was a different story. Here GM figured it didn't want any old workers, just youngsters, kids who had been pumping gas, full of vim and vigor. What GM didn't realize is that three or four days of work gave the twentysomethings more money than they had ever seen, which bought lots of beer and girls and motorcycles. Getting them to show up for work on Monday after a rough weekend was asking too much; unlike the old guys, these Lordstown kids didn't have mortgage payments to worry them out of bed in the morning.

The result was absenteeism, abysmal product quality and, possibly, deliberate sabotage. The social romantics in the media glamorized this as a revolt against the monotony of the assembly line, "the blue-collar blues." In fact it was a bunch of obstreperous kids acting like obstreperous kids.

Well, business has learned something in the past 15 years, and you don't have many Fremonts or Lordstowns these days. Companies have learned to test before they hire. Testing may not be perfect, but it helps weed out the possible misfits, trouble makers and incompetents. So testing is big business for David Jones, president of HRStrategies of Detroit. HR grosses $25 million to $30 million a year testing potential hires.

Jones' clients—Detroit's big three and lots of other big companies, including fast-food chains—run some 100,000 people through the tests annually. What does Taco Bell test for?

"They want the people who won't leave after the first paycheck or steal you blind," Jones says. And can read simple sentences. "If it says applesauce, we don't want him to go to the pickle jar." Taco Bell tests take 30 minutes. Getting a factory job at an automaker (they're hiring again) can take up to three days of testing.

"The unions used to give [the carmakers] problems," Jones says. "The problem is the family referrals. We handled that by taking the union referrals and putting them on the list. Getting on the list doesn't guarantee a job but it guarantees that they are considered."

Tests became controversial a couple of decades ago because blacks on average didn't do as well as whites. The tests ended up in court and the courts said that if you flunked more blacks than whites, your tests were discriminatory. "Skill levels went into the tank," says Jones.

But competitive reality finally caught up with social engineering, at least in most American factories. "The Japanese-built plants tested like mad," says Jones. Their plants were generally successful, with high quality and productivity. That restarted the testing boom. Business also found that testing was something of a protection in "discrimination" lawsuits since everybody takes the same tests and the scores are there for judges and juries to see.

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tests—besides some protection against discrimination lawsuits? They want employees who will stick around and amortize the cost of training them. If an auto company is hiring a 30-year-old man, and average pay and benefits are now $50,000 a year and increasing with inflation, you're talking about a $3 million investment over his working life. You would spend a few days going over a $3 million piece of machinery, Jones says.

When hiring an autoworker, the first tests most likely involve skills such as reading, mathematics and mechanical dexterity. Paragraphs from the company's own shop manuals are used for testing—shop manuals are race- and culture-neutral. On a second day there are tests on how well the candidate works with others, because team production is in vogue. On another day the job candidate may meet with shop-floor team members to see if they approve of the candidate.

After rejecting low scorers and subjecting the rest to employment verification, background check and drug tests, you're generally down to 30% to 40% of your original group, Jones says.

You probably want to know if someone is injury prone. How do you test for that? You find out if the candidates see themselves in control of their lives, or if they believe things just happen. "You ask a question like, 'Why do people succeed?' You give a choice: They get lucky, they know somebody, they work hard, they get an education." That's a good indicator, he says. The answers that will improve your chance of getting hired are: Work hard. Get an education. These show that the candidate accepts responsibility.

Considering the lawsuits, you might think there would be a test against fanny-pinchers. Not yet, Jones says. But you look for four traits: a good, stable history, impulse control, responsibility and conscientiousness.

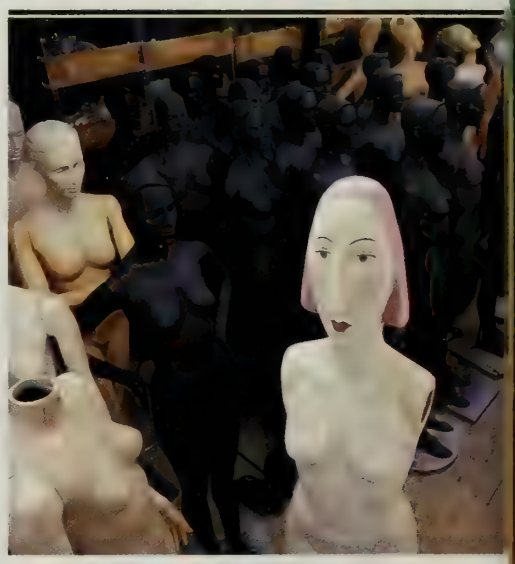
What happens to those who can't read simple sentences, can't control their impulses, don't get along with others—the people who don't make it through Jones' screenings? They're out in the cold and on the dole. "For the country it isn't bad," says Jones. "But for a lot of people it can be." That's the way it is in the Information Age. Don't blame the testers. ■

After college Ralph Pucci joined his parents' little business. With a touch of imagination, he transformec t into a $10 million company.

Bringing mannequins to life

By Amy Feldman

As THE CONSUMER gets fickler and fickler and pickier and pickier, stores are constantly searching for ways in which to differentiate themselves. Show biz and retailing are getting closer together, and Ralph Pucci is keeping very busy. He'll people your store and your show windows with mannequins that are a lot more than just something to hang rags on. His company has made mannequins of 100 rock stars, from Mick Jagger to Alice Cooper, for the Rock and Roll Hall of Fame and Museum in Cleveland.



Forget headless mannequins. Whimsy sells

Pucci struck it big with Maira Kalman's creations

Pucci, 40, is the second-generation chief executive of New York-based Pucci International Ltd., the nation's leading maker of mannequins. Pucci provides Burdines with blue-haired kids in action poses, designed by children's book illustrator Michael Bartalos. For Neiman Marcus he makes gold-plated abstract mannequins for its Gianni Versace boutique. Barneys bought bigger-than-life likenesses of designer Isabel Toledo, drawn up by her husband illustrator Ruben Toledo. May Co. still prefers the time-honored realistic mannequins.

Pucci's hottest line right now is based on the cartoon characters from the "Max the Dog" kids' books written by Maira Kalman. For about $1,000 a head he will supply you w author-illustrator Kalman's gre haired Kate or her Bruno, the m with bushy eyebrows.

"Mannequins were very stal Pucci explains. "[Giorgio] Arm and Calvin Klein were doing headl personality-less mannequins. I wa ed to bring whimsy back."

Since Pucci introduced the Kaln line last winter, he's sold nearly 2,0 of them to stores like Dayton Hu son, Saks Fifth Avenue and Mac California. Dayton Hudson's depa ment store group will use them to k off a promotion of workday cas clothes. "They make people smil

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Steven Brooke

Ralph Pucci with a new line of mannequins by illustrator Ruben Toledo

"Not only is this a successful business, but I'm doing exactly what I want."

began repairing mann quins from Northeast d partment stores in the bas ment of their Mount Ve non, N.Y. home. Ralp joined his parents in 197 straight out of Northeas ern University, where I studied journalism. He fi ured there must be more life than fixing up oth people's work. Why n make them from scrat and sell them to stores?

Ralph Pucci knew I needed an edge, so he had do more than just copy th standard models. He d signed a muscular fellow b cycling, diving and doin handstands. Gimbel's, the overhauling its Philadelph store, ordered a few, and th orders began to pour i "We were a $250,000 bus ness, and all of a sudden w were writing $250,000 o ders," recalls Pucci.

Pucci began producin mannequins for underwe based on Greek and Roma sculptures. For displayin juniors clothes he drew o Twyla Tharp's dancers.

By 1986 Pucci was un grading his line by hirin illustrators, architects an designers. Barneys had asked him design mannequins for its new low Manhattan store. There he met de signer Putman, then working on th store, and asked her to sketch o some models. Putman drew a larg goddess-like figure with painted-o shoes. "She had no idea about ma nequins," Pucci says, "but it ju clicked." For Pucci, what clicked w the concept of hiring exactly the kin of designers who would not ha designed to construct a mannequin the past. Like author Kalman an others, Putman gets a royalty of 5%

Longer term, Pucci wants broaden his line to include other art facts that help bring glitz and glamo to shopping. He'd like to be able offer a specialty store a package deal mannequins, artwork and furniture

"Not only is this a successful bus ness," he says proudly, "but I'm do ing exactly what I want." ■

says Andrew Markopoulos, Dayton Hudson's chief store merchandiser. To keep them smiling, Dayton Hudson will put the mannequins' likenesses on shopping bags and promotional tie-ins.

Pucci is the king of mannequins. He sold about 8,000 of them last year, accounting for about 70% of his $10 million gross. The rest comes from selling paintings and prints by the artists who design the mannequins, original photography, and an expensive line of modern furniture by French interior decorator Andrée Putman. On those revenues, Pucci says, he earned nearly $4 million pretax. This year, with the new Kalman line and a larger furniture business, he figures he'll increase sales by at least 15%.

High margins usually draw in competition, but it hasn't happened to Pucci. Making mannequins is a time-consuming, painstaking process, done mostly by hand. It takes skilled hands to turn out these mannequins, which is one reason Pucci has so little competition. Most of Pucci's 35 workers have been there a decade or more, but when the firm does hire someone new he must apprentice under an experienced craftsman for the first month.

It takes six months to adapt a design from a sketch into a clay prototype. Then Pucci's employees cast the models in plaster, sand them and apply paint or patina. That takes up to ten weeks. Because new models are introduced frequently, there's little room for automation. Pucci's workshop, down a back stair from his Manhattan showroom, looks more like an artisan's shop than a factory.

Pucci inherited his trade, if not his company, from his parents. In 1954 Nicholas and Leda Pucci, a postal worker and wig stylist, respectively,

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CORPORATION

Jerry Rogers doesn't always keep his promises, but how can you knock a man who built Cyrix from nothing to a quarter of a billion dollars in seven years?

Cyrix inside?

By Nikhil Hutheesing

AT CYRIX CORP.'s annual Halloween party, an employee gave founder and Chief Executive Gerald Rogers a tombstone bearing a famous epitaph: "Intel Inside." A marble version of the tombstone now sits in an atrium in the lobby of Cyrix headquarters in Richardson, Tex., near Dallas.

Bury Intel? Jerry Rogers thinks big. He talks of having at least $1 billion in revenues by 1997 and 20% of the microprocessor market by decade's end. That would require a quadrupling of revenues in just three years, and a sextupling of market share—from its current 3%—in about five. Compare that with Advanced Micro Devices' 10% and Intel's 85% today.

But don't dismiss Jerry Rogers as a braggart. In just seven years he has built Cyrix from nothing to revenues of $25 million in 1990 and $246 million in 1994.

Rogers' optimism has carried him a long way, but it has tripped him a few times, too. In 1994 Rogers boasted about Cyrix's fastest 486 processor, but a manufacturing snafu kept the company from releasing as many chips as originally planned.

Its Pentium alternative, now known as the M1, was supposed to be released in early 1995, but software design problems delayed it. Cyrix expects to release the chip this month. All this bad news sent Cyrix's stock tumbling 32% within three days in December, to 19. It has since rebounded to a recent 44.

Cyrix was formed in 1988 by Rogers and Tom Brightman, microprocessor designers who had worked together at Texas Instruments. With $4 million from venture capitalists Sevin Rosen and Berry Cash, Rogers and Brightman formed Cyrix, and in 1994 persuaded IBM Microelectronics—which long supported only Intel—to churn out Cyrix chips.

By subcontracting manufacture of the chips to IBM and SGS-Thomson, the Franco-Italian chipmaker, Cyrix was able to break into a capital-intensive business at low capital cost. It made its mark in 1990 with a math coprocessor, a chip that works with the processor to speed up mathematical functions. Then, in 1992, Cyrix provided a chip that fit into the 386 slot in a computer, but operated as fast as a 486. Using these chips, a computer maker could offer faster performance without having to retool its production. Ever since, the company has been on the heels of Intel.

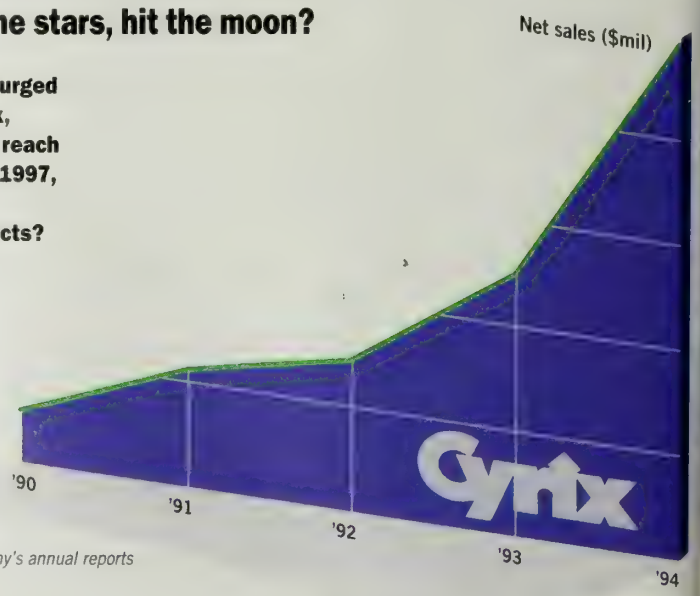
When Intel released its 486 chip in April 1989, it took Cyrix over three years to come out with a competing product—what it calls the 486DX. In July Cyrix introduced the 5x86. It, too, fit the chip slots for Intel's 486, while performing like a Pentium and costing less.

Intel creates a chip and Cyrix tr to improve on it, not by cloni Intel's technology but by developi its own technology. Since a lot computer people aren't happy w Intel's clout, they are pleased to h Cyrix stay in the game. Among C rix's current customers are IBM, NE Apple and AST.

Intel already controls pricing compatible microprocessors, and the past year has ramped up efforts sell circuit boards with memory ch and chipsets—components that re signals from the microprocessor other chips in the computer. I those three products together—ch chipset and circuit board—and ty cally you have got 50% of the cost c computer. "That's very threateni to companies like Compaq and IBM says Michael Slater, editorial direct of *Microprocessor Report,* which trac the industry. "They [computer ma ufacturers] want to do research a

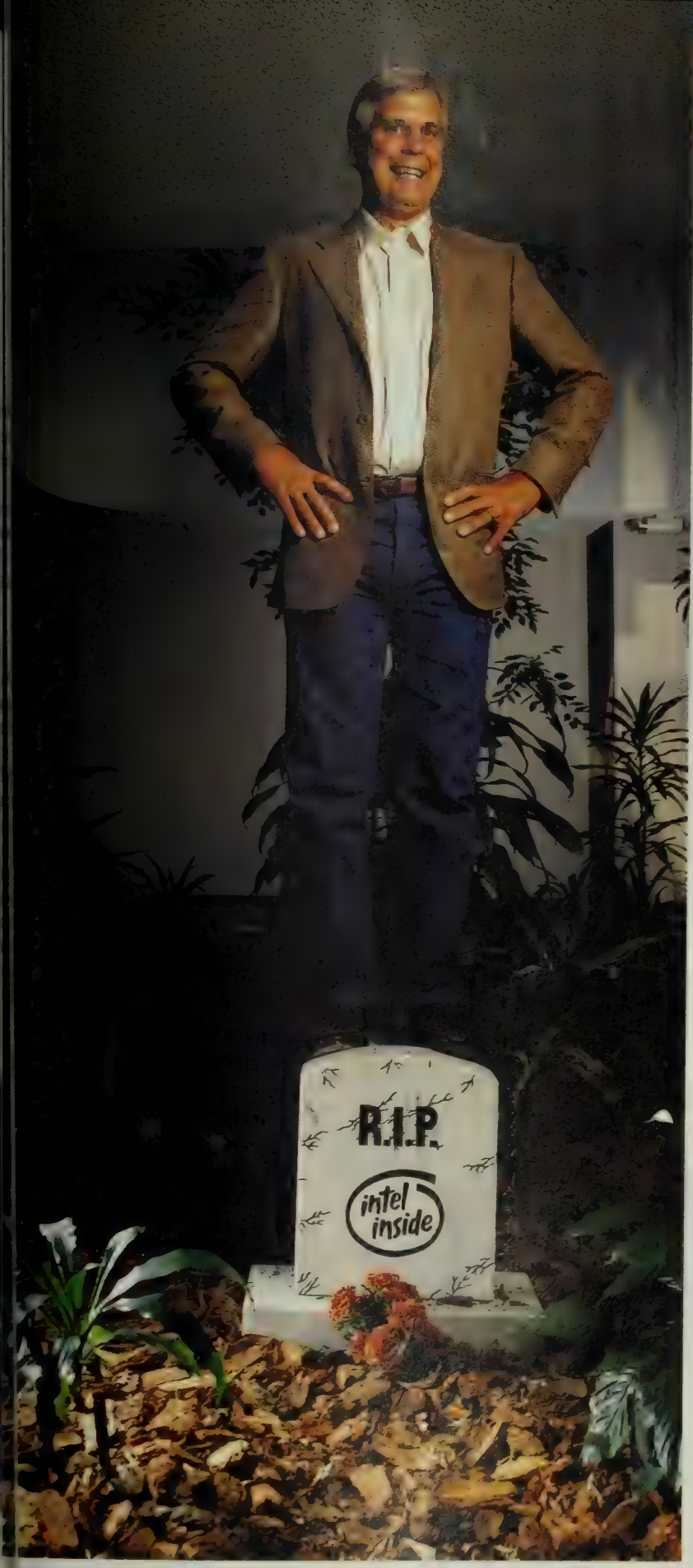
Aim for the stars, hit the moon?

Sales have surged at little Cyrix, but can they reach $1 billion by 1997, as founder Rogers predicts?



Source: Company's annual reports

Steven Ramos/Forbes



development and design products. Intel makes it hard by cutting profit margins." Which of course miffs the computer people and inclines them to throw business Cyrix's way.

Now, after nipping at Intel's heels, Cyrix is halting production of the 486 chip and claims it is ready to beat Intel by introducing the delayed M1 chip. Rogers claims the M1 will outperform Intel's Pentium Pro, long dubbed P6, slated for release later this year.

Is this just more vaporware from Cyrix? Maybe not. According to *PC Magazine,* tests showed that computers with the M1 ran 30% faster than computers using Intel's Pentium.

Cyrix has other grand plans. It is working on a multimedia chip to let microprocessors talk to modems,

"Intel designed a computer around the microprocessor. If we take the same approach, we might get twice the performance out of our chip."

graphic cards and soundcards, as well as to CD-ROM drives. Rogers continues to think big and talk big. "Take a look at what Intel is doing," he advises. "Intel designed a computer around the microprocessor. If we take the same approach, we might get twice the performance out of our chip."

He talks, a bit wistfully, of building his own manufacturing plant. Then he won't have to depend on a subcontractor. "At our revenue level, we could afford to keep a factory fairly full. We don't have any solid plans yet, but we are working on it." That will take some doing. A modern chip plant costs at least $1 billion to build. Cyrix's market capital is $880 million, its cash flow about $43 million in 1994.

Jerry Rogers' motto seems to be: To hit the moon, aim for the stars. Maybe he won't bury Intel, but maybe Intel won't bury him, either. It's a big market out there.

Jerry Rogers, chief executive of Cyrix
"We want to bury that 'Intel Inside' program."

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While others may fantasize about future technology, Diebold and its customers are finding new ways to use today's technology to navigate the best path through the maze to tomorrow.

By sharing this vision of applying technology in innovative and practical ways through systems integration, Diebold and its customers are helping to shape tomorrow — together. ◻

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DIEBOLD

SHARE THE VISION.

High-level computing

BY RICHARD A. SHAFFER

Richard A. Shaffer is founder of Technologic Partners, a technology consulting compan in New York City, and publisher of *ComputerLetter*.

ACROSS THE EAST and the Midwest in late summer, the heat was oppressive, even fatal. But above the timberline in Colorado, where I was hiking, it was cold enough before sunrise to see my breath. The high mountain trail was covered in places by snow, and pools of snowmelt were crusted with ice.

At 13,000 feet I did what many a city-dweller now does. Taking the portable computer out of my backpack and plugging it into a cellular phone, I checked in with the home office, read my electronic mail, sent a fax or two, and downloaded a couple of files to read around the campfire.

The goal of my trek was not only to escape the heat but also to dabble with the latest in gear for mobile communications and computing. I had made a similar journey three years before, and what I found this time was that although keeping in touch from faraway places still requires more effort than it should, the mobile world has advanced by leaps and bounds.

You may think it's crazy to load your rucksack with computer gear, but the fact is, more and more of us are going mobile. An estimated 2 million Americans are now using some form of wireless data communications, a total that is expected to triple in two years. This year more than one-fourth of all personal computers sold will be portables.

Some 7.6 million Americans connected to the office via computer last year. This year the number is expected to reach 8.8 million.

One reason is the arrival of cheaper, smaller and more powerful mobile devices, and the gradual discovery by people like me that, properly used, mobile technology can be liberating.

Telecommuting is becoming less costly and easier, thanks to modem advances. Three years ago a modem capable of sending data at 14,400 bits per second and faxes at 9,500 bps cost about $400. Today such a device goes for $100. The new V.34 modems, rated at 28,800 bps, which is as fast as standard telephone lines can carry data, can be had for less than $120.

In most of the U.S., computers can now talk wirelessly via ordinary cellular telephone channels, using a technology known as circuit-switched cellular. The digital alternative—known as cellular digital packet data, or CDPD—didn't even exist three years ago; by the end of this year it's expected to be available in 41 metropolitan areas. The use of special data radios that can send a file or E-mail also is growing. the last 18 months subscriptions to RAM Mol Data have more than doubled, to 30,000.

I found that the most useful gadgets weren't necessarily the most novel. An ord nary cellular phone in my pack, for exampl enabled me to get in more hiking, confiden that if some crisis developed at the office, could probably be reached. Notebook com puters now are so powerful that the one in my pack (an Apple PowerBook 5300c) was actually better than the Macintosh Quadra 800 back at my desk.

More exotic mobile technologies were use too, but sometimes frustrating. For exampl to read electronic mail from the trailside, I sli a Motorola wireless modem into my PowerBook and plugged it into a cellular tele phone. Hanging the phone in a pine tree an balancing the computer on a knee, I then dialed my office. Incredibly, using a combina tion of programs from Apple, CE Software an Global Village Communications I was able t review and respond to my mail. Handy, except I was often disconnected.

Based on my mountain experience, wireles data communications from the wilds is certai

Hanging the phone in a pine tree an balancing the computer on a knee, I dialed New York and sent some faxe

not perfect, but the technology and product are advancing at furious rates. In fact, since m last mobile junket three years ago, so many new or better devices for portable computing and communications have come out that I couldn't even begin to test them all.

I didn't, for example, check out the latest satellite telephones, which weigh a mere 50 pounds, or the newest global positioning devices, which use satellites to keep you from getting lost; some, like Panasonic's new GPS compass, are small enough to fit in a pocket.

Nor did I make much use of intelligent agents, which promise to help keep mobile technologies from turning all of our waking time into working time. I didn't, for exampl try the Wildfire digital secretary from Wildfir Communications, which automatically coord nates telephone calls, messages and schedules

After all, who wants technology testing to interfere with one's hiking?

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With DNA testing it will soon be possible to make pretty accurate forecasts of our life expectancy. Should the information be withheld from insurance companies?

Is DNA p.c.?

By Philip E. Ross

EVERY TIME your doctor takes your blood pressure or surveys your family's medical history, you undergo a late-20th-century form of genetic testing. As such, these tests aren't very accurate, but they're still the best way of knowing the odds of your getting such chronic diseases as cancer or heart disease. They are widely used. Insurance companies ask for their results before setting premiums.

These tests are on the verge of becoming more accurate and useful. Within the next decade or so, instead of having to infer inherited tendencies from markers, such as blood cholesterol or a family pattern of cancer, doctors will go straight to the DNA to read its coded message.

Or maybe they won't. Useful as these tests are, they've fallen afoul of—you guessed it—political correctness. The legislatures of California, Colorado, Wisconsin, Ohio, Georgia, New Hampshire and Minnesota have imposed restrictions on insurers who want to use the results of DNA testing. Why? Because they are too accurate. They would enable insurance companies to separate good risks from poor risks and charge the latter higher premiums. The insurance company would be, in p.c.-speak, "discriminating" against part of the population.

But discrimination is what insurance is all about—discriminating between high-risk people and low-risk. Stunt pilots pay higher premiums than office workers. Old people pay higher life insurance premiums than young people do. Discrimination is the name of the game.

Take a look at the death tables for insured males from an actuarial textbook (now there's a grim science for you). A man's chances of keeling over for good in a given year stay constant through his early 30s, at around 1 in 500. Then they take off—rising to 1 in 300 by 40 and more than doubling with each passing decade. Make it to 90 and he'll have a 1-in-5 chance of not seeing 91.

Janet Akerson

If insurers stopped "discriminating" against octogenarians and offered equal rates to people of all ages, the old would sign up and the young would stay away in droves. Inevitably, rates would rise and then insurers would go broke.

Political correctness is thus in direct conflict with what underwriters call adverse selection: People are more likely to select themselves for insurance if they believe themselves to be at high risk.

Robert J. Pokorski, a doctor who heads research for Swiss Re America, a branch of the Swiss Reinsurance Co. says, "A life insurance company could safely insure the life of everyone who passes by any designated location in a typical city, so long as the practice does not become public knowledge." Once word leaked out, of course, that particular street corner would soon be thronged with nonagenarians, heavy smokers and stunt pilots.

Pokorski quite reasonably points out that insurers need to have access to all the medical data available to their clients—including genetic data. "It's apparent genetic testing will pervade all of medicine," he notes. But some politicians apparently think that insurance companies should be barred from seeing it.

Pokorski says he assumes that underwriting based on age and gender would continue, but premiums would skyrocket as people who had discovered themselves to be at high risk suddenly began taking out huge policies and underwriting losses mounted. Rates would get so high that healthy 30-year-olds would just say to hell with it and go uncovered. With them out of the insurance pool, underwriting losses and premiums would mount even higher.

If state legislatures feel that high-risk people should be entitled to low-cost insurance, let them subsidize it rather than trying to force the insurance industry and the healthier part of the population to do the subsidizing.

There are plenty of disturbing aspects to genetic testing, not least the possibility that it will tell us more about our future than we care to know. But the same can be said of the many diagnostic tests we now undergo that our grandparents lived happily without. We shouldn't forget that our grandparents generally died younger than we do, partly because they didn't get the early diagnoses we get.

Heaven help our society if we let political correctness get in the way of scientific advances. ■

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Selling genes

BY MICHAEL GIANTURCO

Michael Gianturco is president of The Princeton Portfolios. His new book on investing in technology stocks and funds is *The Market that Beats the Market* (Little Brown, 1995).

FOR BIOTECH COMPANIES starving for product revenues, there is a new business idea that really works: Instead of selling medicines, they are selling genes. The concept should interest biotech investors.

Drugs require years of research, development, clinical trials and government approval before they can be brought to market. But genes offer an immediate payoff; they can be priced and sold almost as fast as they are discovered. The buyers of genes are major pharmaceutical companies. They are willing to pay a premium for an important gene discovery because it gives them a big jump on their competition in developing new medicines.

How much is one gene worth? Auction sales of some particularly intriguing genes have drawn bids in the tens of millions of dollars. Whopping prices for these short strands of DNA, paid up front, have biotech companies salivating, and have at last rekindled an interest in biotech among investors.

Genes that appear to make people fat command particularly handsome sums. Biotech executives were riveted by an obesity gene auction held in January 1995. This gene was found by Jeffrey Friedman and his team of researchers at Rockefeller University in New York. Amgen entered a winning bid of $20 million as a signing payment for the gene.

Unlike drugs, genes offer an immediate payoff; they can be priced and sold almost as fast as they are discovered.

Is this particular obesity gene the key to a skinny pill? Nobody knows yet. But Amgen knows firsthand the value of a gene once it pays off as a drug product. The blueprint for its first major drug was a gene. The gene directs the production of Epogen, a medicine that fights anemia. Epogen returned revenues to Amgen of $216 million last quarter.

Two business strategies have emerged for small biotech companies hoping to sell genes. The first is realistically scaled, focused and precise. The idea is to target a disease or condition, like obesity or an allergy or a specific type of cancer—and then try to find a gene that is responsible. Companies working in this vein include private Millennium Pharmaceutical of Cambridge, Mass. Sequana Therapeutics (11) of San Diego (which is a recent IPO); and Myriad Genetics of Salt Lak City, which has recently issued a prospectus.

The other, much more aggressive strategy is the mass production of gene discovery. In this process, machines are used to identify, isolate and chemically characterize genes—*al* human genes—without even trying to guess, at first, what they do.

This is the approach pioneered by Human Genome Sciences (24) of Rockville, Md. This stock is publicly traded, and we accumulate it at The Princeton Portfolios for customer accounts. Human Genome Sciences (HGS) has been processing genes at the rate of roughly 1,000 per day for the past several years. Withir two more years it should have in hand all of th genes contained in human DNA. This complete library is called the human genome (pronounced gee-gnome). It consists of about 100,000 genes. Later starters, including severa other companies and institutions, are necessarily working in HGS' wake. Its partner and customer, SmithKline Beecham, has agreed to payments to HGS of about $125 million.

One competitor is Incyte Pharmaceutical (24) of Palo Alto, Calif. Instead of reserving the genes to itself or to a contracting partner Incyte will sell its data to any and all pharmaceutical companies. Notice that this is exactly how small oil-exploration companies marke information to major oil companies. It's smart and it works.

Competitors are quick to point out that HG is essentially speed-reading and labeling huma DNA. The company will analyze a long fragment of a gene—perhaps as much as half of it. The idea is to rapidly jot down enough information to uniquely identify the gene. It is thei stored for future study, and the machines hurry on to the next gene.

It isn't known whether gene fragments can be patented, though the company has made 125 applications for completely sequenced genes it has discovered. Whole genes can indeed be patented or protected as trade secrets, but it would be impossible to create a monopoly in human genes. According to biochemist Cynthia Robbins-Roth of BioVen ture Consultants in San Mateo, Calif., "It doesn't matter. No one really knows if they ca own this stuff—but to have a gene's sequenc in hand is to have the first shot at drug discov ery. And this matters very much."

Biotech venture capitalists have coined a new word for this new type of enterprise: genomics. I admire all of the so-called "genomics" companies noted here, but I would not hurry to buy the new issues. However, HGS and Incyt are buys at 23 and 20, respectively. ■

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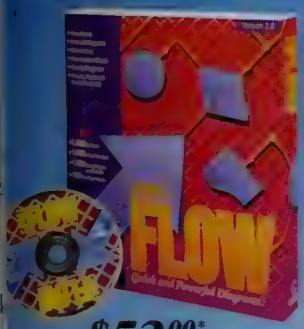

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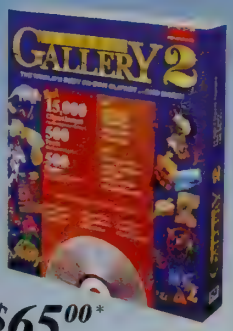

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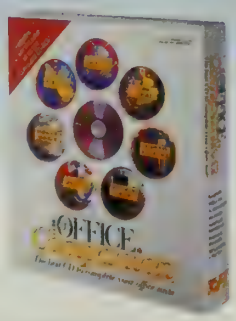

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David versus Goliaths

NOT MANY relish duking it out with Bill Gates and Craig McCaw. But Shant Hovnanian has been fighting them for the past two years over a portion of spectrum for broad band technology that Gates and McCaw had wanted to co-opt for wireless communications delivered by satellite. Hovnanian wanted the spectrum for up to 500-channel TV and other two-way telecommunication systems delivered by ground-based cellular transmitters.

Hovnanian, whose family owns a lucrative New Jersey real estate firm, has been working on his TV project since 1986. That was when he left the family firm to found his New York-based CellularVision. "I caught the technology bug," he admits.

Raising $30.5 million from Bell Atlantic, Philips and J.P. Morgan—in exchange for 14% of his new firm—Hovnanian, 36, got an FCC license in 1991 to put his new system in the New York City area—it's now in 5,000 Brooklyn homes. He's also testing systems in Canada and Brazil.

In July Hovnanian won a major victory when the FCC decided to let both his and the Gates-McCaw technologies use the frequency band. Score one for the slingshot.

CellularVision founder Shant Hovnanian
Battling Bill Gates and Craig McCaw.

Elisabeth Galvin of Delysair
Candy cure for boredom?

Captive audience

FRENCH-BORN candymaker Elisabeth Galvin is betting airline travelers get so bored on flights that they'll even read candy wrappers. Her $5.4 million (estimated 1995 sales) Reno-based Delysair Ltd. makes and supplies individual bags of pralines and other snacks to airlines.

Galvin's gimmick: The airlines pay nothing, but the bags carry paid advertising and product information from clients like CompuServe, America Online, Toshiba and *Newsweek*. Reno Air already serves the pralines; United's shuttle and Continental start in November. Deals with British Airways, Air France and Alitalia are pending.

Galvin, 32, a former magazine subscription salesperson, started in 1992 by selling her pralines to hotels and gourmet food stores. When she pitched them as in-flight snacks, the airlines balked at the cost. Then came the idea of mini in-flight billboards. "You know how in your brain things just match?" she says.

Quick study

WANTING A CHANGE, Dr. Daniel Vasella quit his internal medicine post at a Bern, Switzerland hospital in 1988 for a marketing research job with Sandoz, the Basel-based $13.2 billion health care firm.

"I went from respected doctor to idiot who didn't know anything," he recalls.

That phase didn't last long. After seven promotions in as many years, Swiss-born Vasella, now 42, became chief execu tive officer last May of pharmaceutical divisio that generates 48% of S doz's revenues. Two months later Vasella ac quired Gaithersburg, Md.-based Genetic Th py, Inc. for $295 millio in cash to provide Sanc with its next generatio of treatments.

Now Vasella has a good shot at succeedin Sandoz Chairman Mar Moret, 71. "To be in charge," he says, "is something I enjoy." ■

Sandoz Pharma chi Daniel Vasel
Fast track heir appar

IF BUSINESS IS WAR

"We had several states courting us when we began a search for a second plant site. We chose Mississippi because of the strong work ethic, excellent training programs, and easy access to national and international markets. But there was one other thing that made the state unique. We didn't find the same adversarial relationship between government and business common in other places. On the contrary, we were encouraged to call the governor or the head of the state's economic development agency if we needed assistance. Southern hospitality certainly spills over into business in Mississippi. After all, how many other company presidents are on a first-name basis with the governors of their states?"

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The power of compound interest

Shelby Davis learned money management at the feet of his father, one of the truly legendary investors. Shelby Davis is no slouch himself.

By Mary Beth Grover

THE LATE Shelby Cullom Davis was one of the great investors of his generation. When he died at 85 last year he left a fortune of $830 million, made mainly by investing in insurance stocks.

He also left behind a son who appears to be a solid chip off the old block, Shelby Davis, now 58. With a little of his dad's help, Shelby Davis started New York Venture Fund in 1969. (Despite its name, the fund is headquartered in Santa Fe, N.M.) New York Venture has compounded at 14.1%—better than the Standard & Poor's 500-stock index—for over a quarter of a century.

This year for the third time in a row, Davis' fund made the Forbes mutual funds Honor Roll.

The younger Davis was only 32 when he began New York Venture Fund. Like many of his generation, he thought the 1960s bull market would never end. Heavily invested in trendy growth stocks, Davis failed to see the inflationary buildup and soon found himself trapped in one of the century's worst bear markets. After peaking in 1966, it took the Dow industrials 17 years to recover back above 1000 and stay there. By 1974, the industrials were down 45% from their highs.

By that nadir year Shelby Davis had lost 10% of his early investors' money. It was discouraging. People were talking about "the death of equities" and the public was turned off both stocks and mutual funds. That year Shelby Davis flew to California to visit the great Benjamin Graham, then 80. Graham reminded Davis that just as no bull market lasts indefinitely, neither does a bear market. "Sonny boy," Graham told him, "you are looking at one of the great opportunities of your generation."

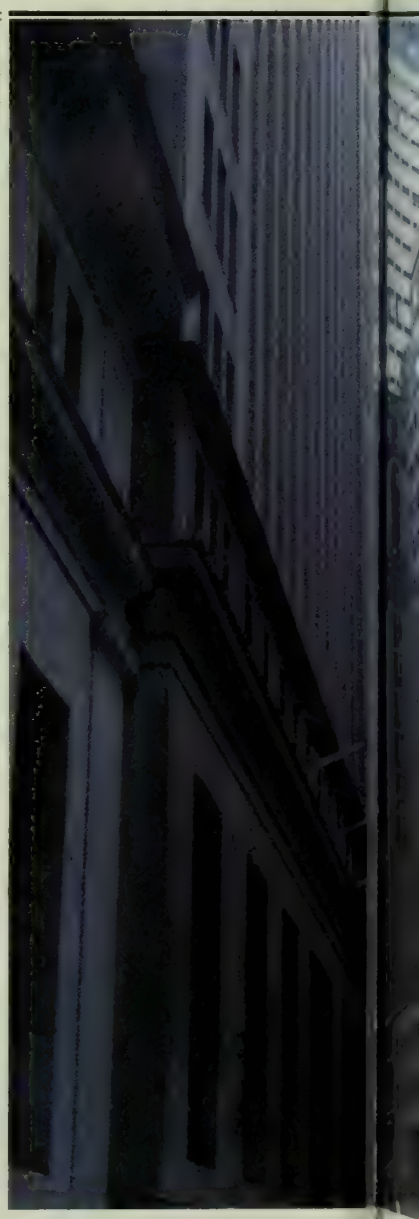
And he was. The Dow bottomed at 580 in December and has never looked back. Davis took his losses on growth stocks and invested in natural resource stocks, then starting to get a lift from inflation. By 1976 he had committed 50% of the fund to oil, real estate and timber stocks.

As inflationary pressures eased in the early days of the Reagan Administration, Davis began moving out of natural resources and piling into financial and consumer stocks.

Today, bolstered by its superior record, New York Venture has $1.7 billion in assets.

Davis' father had an even greater influence on him than Graham had. "My father taught us the Rule of 72," says Davis. This rule is a quick way to figure out how long it takes for money to double: You simply divide the interest or growth rate into 72. Thus at 10%, money doubles in seven years; at 6%, in 12 years. The Rule of 72 is also a way to demonstrate the power of compound interest.

Davis tries to get the power of compounding to work for him by seeking out companies whose earn-



Matthew Rakola Hobel

New York Venture's Shelby Davis (left) and son Chris Davis

"10% is plenty good enough for us."

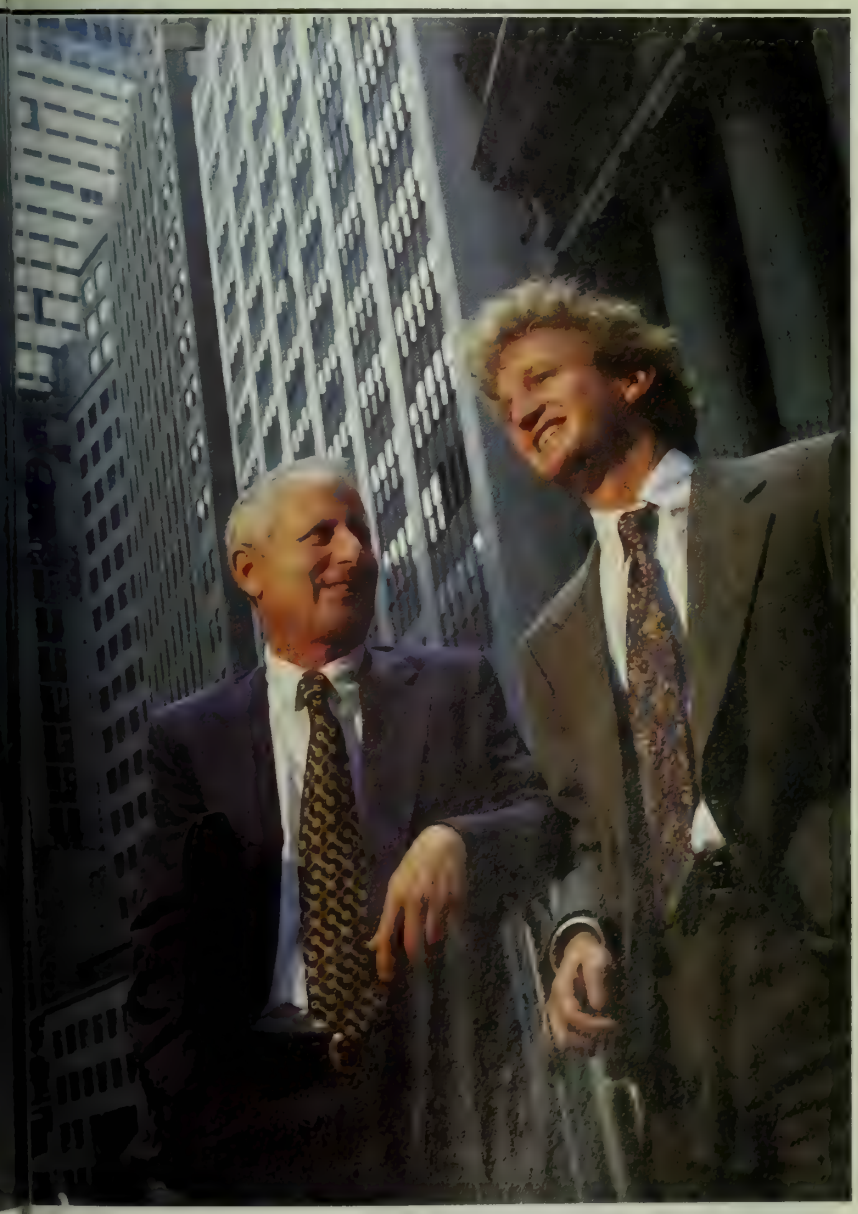
ıgs are growing 10% a year and 'hose stock is trading at no more ıan ten times earnings. If those earnıgs do indeed double in seven years, ɔu are nearly guaranteed that the ock price will double. And if you pay ıst ten times earnings, you are pretty ell protected against a bear market ıat might play hell with price/earngs ratios.

In the real world, however, 10% is a uch tougher hurdle than it might ıund. "It's easy for [corporate] anagers to quote a 15%-to-20% 'owth rate," he says, "but it's very fferent to actually do it. And 10% in is world of low inflation is plenty ɔod enough for us."

New York Venture Fund has about 50% of its money in banking, insurance and other financial stocks. Among the fund's biggest holdings: Allstate, now selling at 10 times estimated 1995 earnings; Wells Fargo Corp. (10 times); Travelers (11 times); and Minneapolis-based First Bank System (11 times). Davis also likes American Express Co.: The stock is selling at 14 times earnings, but the company has $3.50 a share in cash.

Their relatively conservative P/Es are not the only reason Davis likes these financial companies. He believes that as more Americans worry about saving for their old age, the financial companies will develop strong brand names. Explains Davis: "We hope the red umbrella at Travelers, the blue logo of American Express and the good hands at Allstate will become as well known as the red and white can of Campbell Soup." Davis also points out that while New York Venture Fund's financial services companies sell at around ten times earnings, consumer brand-name companies like Gillette and Coca-Cola sell for about double that.

Outside of financial stocks, Davis has established a big position in General Motors, currently at 7 times its consensus 1995 earnings estimate. Davis notes that GM's profit margins in North America run about half those of Ford and Chrysler; he expects the gap to narrow, driving up GM's stock. "GM and the U.S. government are the last two giant enterprises that need restructuring," he says.



"It's easy to quote a 15%-to-20% growth rate, but it's very different to actually do it."

Davis has relatively small stakes in his onetime favorites, oil and real estate-oriented stocks—about 5% in each. His favorite oil stock is downtrodden Amerada Hess; in real estate it's Host Marriott.

Ben Graham reminded Davis that neither bear markets nor bull markets go on forever. The present bull market is anywhere from 5 to 13 years old, depending on your starting point. Is this bull market going to last forever? Of course not. Warns Davis: "We're in the seventh inning of the ball game. There's another bad five-year stretch out there. But what my first five years taught me is that a bad period is a prologue to another great period." He doesn't expect the market to hit the skids until inflation heats up, as it did back in the 1970s.

Davis and his family, including his son and comanager Christopher, own 10% of the New York Venture Fund. Unfortunately, it's not no-load but carries a 4.75% sales charge, reduced for large purchases. Davis also runs a no-load fund with similar investments, Selected American Shares (net assets, $850 million). Davis took over this fund two years ago; Selected American's expenses are a reasonable 1.3% of assets.

Go for the goodwill

A few great stock picks drove Oakmark Fund to the top of the heap. What does Robert Sanborn do for an encore?

SOME FUND MANAGERS owe much of their success to one bold bet. Erik Bergstrom's closed-end Bergstrom Fund earned huge returns in the 1980s with a big stake in Amgen, the biotechnology pioneer. In 1982 Peter Lynch sank 5% of Fidelity Magellan into near-bankrupt Chrysler—which became the biggest factor in his outperformance for years to come.

Lucky the new fund manager who starts out with a sizzler like that. Right after Oakmark Fund was launched in August 1991, manager Robert Sanborn sank 10% of its assets into Liberty Media Corp., a cable spinoff from Tele-Communications, Inc. Bull's-eye! Liberty went up 70% in the fund's first three months, and increased another eightfold by mid-1993, with Sanborn averaging up most of the way. "The prospectus was extremely complicated," recalls Sanborn, "and the investment community just let it fall through the cracks."

Thanks in part to that single bet, Oakmark's compound annual return for its first four years was a stupendous 30.3%, versus 12.3% for the market. Liberty wasn't Sanborn's only smart buy—there were other cable companies, including Cablevision Systems Corp., insurer Fund American and medical equipment maker Kendall International—but Liberty accounted for three points of that annual return.

Will Sanborn now regress to the mean? "I want to find another area we can put 20% of assets into, like we did with cable stocks," he sighs, "but I don't see that kind of opportunity now." He's mostly out of Liberty now, but he hasn't found another like it. Technology stocks? They're less than 1% of his assets. "I can't get comfortable with how these companies will look in five years," he says.

Sanborn concentrates his shots more than most fund managers do. While the top ten holdings at most funds make up 20% to 25% of assets, Oakmark's ten largest positions account for 41% of the fund's $2.7 billion of assets.

Sanborn's top holdings tend to have lots of goodwill—that is, capitalized intangibles—on their books. A lot of goodwill arises when a company takes over another and pays a premium over book value; the excess over book gets capitalized and then amortized against earnings for up to 40 years. That amortization reduces reported earnings but doesn't harm cash flow. In that way it causes companies to understate their real earning power. "The market tends to look at companies as stocks driven by P/E ratios, but we look at them as businesses," he says. "So we value [illegible] goodwill portion of cash flow [illegible] highly than the market does."

Seven of Oakmark's top ten st[illegible] have hefty amounts of goodwill. [illegible] Lockheed Martin Corp., Sanb[illegible] largest holding at 5.5% of Oakm[illegible] assets. Formed this spring [illegible] Lockheed and Martin Mar[illegible] merged, the giant defense contr[illegible] has $6 billion in goodwill. San[illegible] estimates that amortization of g[illegible] will will consume 15% of next y[illegible] reported earnings—but it will [illegible] Lockheed Martin's $2.1 billio[illegible] cash flow unimpaired.

Recently 64½ a share, Lock[illegible] Martin is trading at 12 times esti[illegible] ed 1996 earnings, but adding g[illegible] will charges back to net income, [illegible] born figures the stock sells for ju[illegible] times next year's likely "econ[illegible] earnings."

Another goodwill play is M[illegible] Bank Corp., the Pittsburgh bank [illegible] bought mutual fund giant Dre[illegible] Corp. last year. "It's my single fa[illegible] ite stock," says Sanborn. He th[illegible] Mellon may buy back up to 15% [illegible] shares in the next couple years. [illegible] ing back goodwill amortization, [illegible] born reckons that Mellon is sellin[illegible] just eight times next year's earnin[illegible]

Also on his goodwill list: P[illegible] Morris Cos.; American Brands, [illegible] First USA, Inc., the credit card is[illegible] and servicer; and Federated De[illegible] ment Stores.

Sanborn, 37, is a graduate of [illegible] ton Latin School and Dartm[illegible] College. He ran $100 million in [illegible] ture capital funds for the State Te[illegible] ers Retirement System of Ohio be[illegible] joining Oakmark's sponsor, Cl[illegible] go's Harris Associates L.P., in 19[illegible]

The no-load Oakmark Fund h[illegible] its typical stock for at least three [illegible] and generally favors large-capita[illegible] tion companies over small ones. [illegible] erating expenses, at 1.2% of [illegible] assets, are moderate.

Oakmark is off to a prom[illegible] start, but remember: A l[illegible] that is the result of a few s[illegible] bets. Remember, too: Oak[illegible] is too young to have been [illegible] ed in an ugly bear ma[illegible] "We've been kind of bl[illegible] so far," says Sanborn, rap[illegible] his knuckles on the wood[illegible] denza behind him. –J.Z.

Robert Sanborn of Oakmark Fund **"Blessed" but untested by a bear market.**

Jim Purdum

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ng out the ups and downs of the market. By com- ng current income with growth potential, Puritan Fund is ned to take some of the edge off stock market investing.

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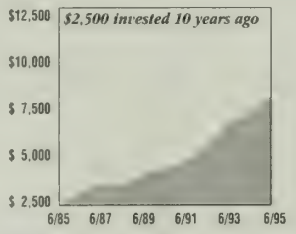

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Bargains?

Wall Street punishes strong companies for being in weak industries. This creates bargains for alert investors.

By Eric S. Hardy

WALL STREET has a way of tarring all companies in an industry with the same brush—sometimes unjustly. Smart investors can make money by identifying the unfairly tarred stocks.

Consider Landstar System, a $1.1 billion (revenues) trucking outfit based in Shelton, Conn. Landstar is solidly profitable. It earned $1.90 a share last year; consensus earnings estimates tabulated by IBES Inc. indicate that Landstar will report a 20% earnings gain in fiscal 1995 (ending Dec. 31), to $2.28 a share, and an 18% gain in fiscal 1996. In our last report on American industry (FORBES, *Jan. 2)* we singled out Landstar as a rising star in the transportation industry.

But investors tend not to like the trucking industry—lackluster earnings, too little economic growth. A capitalization-weighted average of the 42 publicly traded trucking and warehousing stocks tracked by the Value Line Investment Survey is up less than 1% since January.

Result: In a record-setting stock market that's up 27% since last December, Landstar is down 32%, to a recent 22¼ a share, ten times its estimated 1995 earnings.

Janet Atkinson

In Wall Street's rush to mark down most truckers, Landstar could be a real opportunity, despite its announcement on Sept. 18 that third-quarter earnings will come in below expectations. "The company enjoys very low fixed costs because most of its drivers are owner/operators," says Lehman Brothers analyst Burton Strauss Jr. "Compared to its competitors, [Landstar] is much less susceptible to rising insurance, fuel and employee benefit expenses."

Also out of favor on Wall Street these days, in addition to trucking: automakers and auto parts manufacturers, food processors, appliance companies, and iron and steel. The 309 stocks in these five groups a up less than 10% this year on a cap talization-weighted basis, against tl overall market's 27% advance.

The table lists ten stocks picke from these out-of-favor industrie These stocks sell for no more tha 14 times latest-12-month profits ar have earnings forecasts showing est mated price/earnings ratios of r more than 13 for 1995. Some ha strong dividend yields—Tas Baking, for example, yields 4%.

Auto stocks have lagged the ma ket because investors are nervo that the cycle has peaked. Fo Motor, for example, is expected post unimpressive third-quart results. But this is, in large measur a result of the high cost of launchir new models—vehicles that could l winners in coming years. If they ar Ford is a contrarian's delight: It se for just seven times its 1996 earnin forecast of $4.70 a share.

Food processing—one of W Street's darling industries during tl 1980s—is now underperforming tl market. "Gone are the days explains Prudential Securities foo analyst John McMillin, "when cor panies could routinely pass alo price increases to their customers."

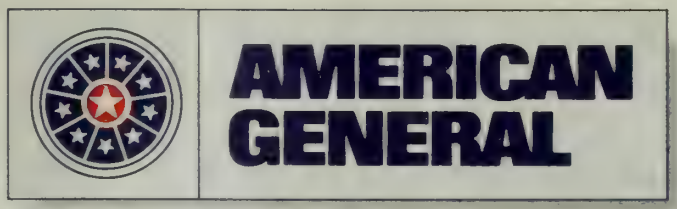
So here, too, opportunity may l knocking in the form of Cagle Inc., an Atlanta-based poultry fir that posted record-high sales ar earnings in the fiscal year ended March. Cagle's is expected to ea $1.50 a share this year. Nonethele the stock, recently at 16¾, is off 24 for the year and sells for only times this year's estimated profits.■

Guilty by association

Company/business	Recent price	1995 price change	Price divided by sales	book value	estimated earnings 1995	1996	Debt as % of equity	Yield	Sales ($mil)*	Market value ($mil)
Bethlehem Steel/steel	14 ½	–21%	0.3	1.3	7.6	5.3	49%	none	$4,949	$1,574
Cagle's/food processing	16 ¾	–24	0.2	1.8	11.2	NA	38	0.7%	351	84
Fedders/appliances	5 ⅞	–18	0.3	1.5	9.0	8.2	7	1.4	327	112
Ford Motor/autos & trucks	31 ¼	14	0.2	1.3	8.1	6.8	NM	3.9	135,437	31,853
General Motors/autos & trucks	47	12	0.2	1.6	6.9	5.9	20	2.6	164,495	35,128
Inland Steel/steel	25	–29	0.3	2.3	8.5	6.4	127	0.8	4,679	1,216
Landstar System/trucking	22 ¼	–32	0.3	2.5	9.8	8.3	68	none	1,131	284
Rival/appliances	20 ¼	16	0.8	2.2	11.9	10.9	51	1.0	226	179
Tasty Baking/food processing	14	7	0.6	2.5	12.3	10.9	22	4.0	142	86
TNT Freightways/trucking	17 ⅞	–30	0.4	1.8	10.4	13.9	49	2.1	1,045	393

*Latest 12 months. NA: Not available NM Not meaningful. *Sources: Market Guide, Value Line and IBES Inc. via OneSource Information Services.*

Tarred by the unpopularity of their industries on Wall Street, these ten stocks may be opportunities.



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BY JOHN H. CHRISTY

lthough the Dow Jones industrials osed at a near-record high of 4798 ı Sept. 15, Douglas Lee, chief econnist of HSBC Washington Analysis, inks that there is still more upside ɔtential in the stock market. Lee is ɔtimistic that Congress will finally ss a budget agreement with signifınt spending reductions, and that is budget bill will put the national ficit on a declining path. As a sult, Lee thinks that interest rates : more likely to decrease than :rease.

The congressional tax package will ɔstly be a plus for business, but Lee lieves there could be some losers. : cites the pharmaceutical industry, ıich could lose the tax deduction of mpanies operating in Puerto Rico. is could hurt corporations such as stol-Myers Squibb, Mylan Laboraies and Warner-Lambert.

pecial focus

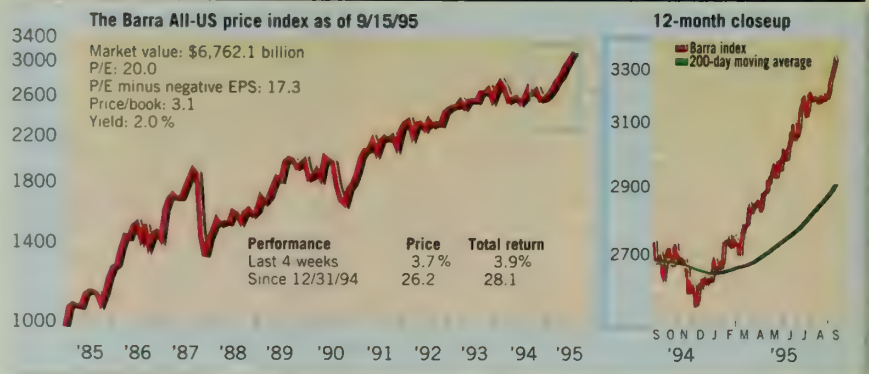
Wall Street expects the seven companies elow to lose money this year—but eturn to profitability next year. Radius nc., a struggling manufacturer of Apple-compatible video monitors and eripherals (o-t-c price: 7⅞) is expected o lose 37 cents a share this year but nake 70 cents in 1996. If so, it's attracively priced at 11 times recovery profits.

On the rebound

Company	Recent price	1996 est EPS
American Classic Voyages	10⅛	$0.61
Cray Research	23½	1.59
Global Natural Resources	10⅝	0.69
Ideon Group	10⅝	0.98
Intergraph	12¼	0.87
Megatest	30¼	1.50
Radius	7⅞	0.70

ource: IBES Inc., via OneSource Information Services

The overall markets



Closeup on the markets

Index or investment	2-week change	% change from 1 year ago	% change from 5-year high
Barra All-US index	3.0%	21.1%	–0.2%
S&P/Barra Growth index[1]	4.0	28.2	–0.2
S&P/Barra Value index[2]	3.2	25.6	0.0
Dow Jones industrials	3.2	22.0	–0.1
S&P 500	3.5	23.8	0.0
NYSE	3.2	20.5	0.0
Nasdaq	3.1	35.1	–1.5
Amex	2.8	19.7	–0.5
EAFE[3]	0.3	1.1	–3.6
CRB futures index[4,5]	0.5	5.8	–1.2
Gold[5] (Comex spot)	1.1	–1.1	–7.5
Yen[5] (per $US)	6.8	5.2	–26.5
Oil[5] (W Texas Intermediate)	5.0	12.3	–54.0

The best and worst performing stocks

Best	Price	2-week change	1995 EPS[6]	Worst	Price	2-week change	1995 EPS[6]
Xylogics	52½	52%	$0.92	Caldor	5	–37%	$2.09
Applied Magnetics	17⅝	47	–0.11	ACT Manufacturing	13½	–29	0.90
Identix	15⅜	41	NA	Casino America	10¼	–29	1.41
USAir Group	11⅛	39	–1.67	Union Switch & Signal	8⅞	–29	0.80
United Stationers	29½	36	NA	VariFlex	9	–29	1.24

The best and worst performing industry factors[7]

Best	2-week change	Since 12/31/94	Worst	2-week change	Since 12/31/94
Photographic, optical	9.3%	35.8%	Electric utilities	–0.7%	14.3%
Cosmetics	8.8	32.8	Iron & steel	–0.5	–8.4
Air transport	8.7	40.3	Business equipment	–0.4	30.6
Financial services	7.0	44.8	Forest products	–0.2	6.4
Consumer durables	6.9	14.6	Tire & rubber	0.2	12.9

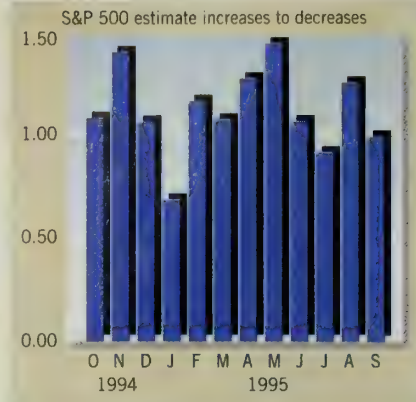
ata for period ending 9/15/95. The Barra All-US price index consists of all publicly traded common U.S. stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. ADRs, REITs and closed-end funds are excluded. Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above-average earnings Total return of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more 00 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Source: Knight-Ridder Financial Publishing. e: Source: IBES Inc. Shows return to the industry factor after controlling for other influences, including company size, value and growth characteristics. Multi-industry firms have proportional contributions r more groups. NA: Not available. Principal source: Barra, Inc., Berkeley, Calif.

THE FORBES/IBES REPORT ON EARNINGS FORECASTS

S&P 500 P/E* vs. Aaa bonds†

*P/E is the recent price of the S&P 500 divided by estimated earnings over the next 12 months.
†Projected price-to-coupon ratio for Aaa corporate bond index.

IBES estimate revisions index



Forecasting the S&P 500

Year	Estimated P/E	% change current est vs. 3 months ago	Expected year-to-year EPS growth
1994[1]	18.2	NA	17%
1995	15.2	0.2%	20
1996	13.2	0.5	15

1995 estimates for IBES industry groups

Rising estimates	Falling estimates
airlines	home furnishings
nonferrous metals	steel
computer mfg	trucking
forest products	retail goods
defense	investments

[1]Actual.

BY ROBERT J. SHERWOOD

U.S. corporate profit growth appears to be decelerating. Aggregate 1995 earnings estimates for the S&P 500 may have peaked in the month of May at $38.04 per share, before writeoffs. The current 1995 estimate for the S&P 500: $37.79. Joseph Abbott, IBES assistant vice president, thinks that security analysts will soon return to their traditional practice of trimming S&P 500 estimates by about 0.5% each month. If Abbott is correct, the current consensus estimate on the S&P 500 for 1996 of $43.47 could be down to $40.80 a year from now.

Even though well-known technology stocks such as and Intel have reported disappointing news, Abbott likes technology stocks, in particular companies that involved with the Internet. One of Abbott's favorit Ascend Communications (FORBES, *Sept. 25*), a firm wh estimate for 1995 doubled to 86 cents per share over last six months. Ascend is still not cheap: It trades at aln 82 times its 1995 estimate and 48 times its 1996 forec

Who's hot

Greatest increase in estimates over the past three months

Company/industry	1994 EPS	1995 EPS estimate recent	1995 EPS estimate 3-month change	P/E	3-month price change	Reason
UAL/airline	$–0.78	$17.79	51%	10	27%	Higher passenger traffic
Sierra Semiconductor/semiconductors	0.76	1.52	30	35	62	Strong demand for semiconductors
IBP/meatpacking	3.78	5.40	28	9	26	Production efficiency and strong exports
ValuJet Airlines/low fare airline	0.86	1.95	27	18	–8	Expansion of air routes
PH Glatfelter/paper products	–2.67	1.65	21	14	21	Higher pulp and paper prices

Who's not

Greatest decrease in estimates over the past three months

Company/industry	1994 EPS	1995 EPS estimate recent	1995 EPS estimate 3-month change	P/E	3-month price change	Reason
AnnTaylor Stores/women's apparel	$1.40	$0.50	–65%	37	–29%	Lower store sales
Salomon/investment banking	–4.31	1.71	–47	23	–3	Losses in commodities and bond trading
Exabyte/tape-based storage devices	1.47	0.74	–44	20	–2	Narrow margins and adverse exchange rates
Sealright/paper and plastic containers	1.20	0.76	–42	16	–29	Decrease in sales of plastic products
Airborne Freight/package delivery	1.81	0.85	–34	28	9	Volume decrease in domestic shipments

Note: Data for period 6/19/95 through 9/15/95. NA: Not applicable. NM: Not meaningful. Listed companies have a market capitalization of $100 million or more. Earnings projections are W Street consensus estimates from 3,000 security analysts compiled by IBES Inc. Aaa bond yield forecasts supplied by Blue Chip Economic Advisors.

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EDITED BY RIVA ATLAS

Steinhardt's Chemical reaction

AFTER A HORRIBLE 1994 when his hedge funds were down around 27%, super speculator Michael Steinhardt is recouping: So far this year his $2.6 billion (assets) funds are up nearly 23%. The funds' performance has been helped considerably by the 2.5 million shares of Chemical Banking Corp. (CHL) they held when the bank announced plans to merge with Chase Manhattan (CMB) in August. Chemical was Steinhardt's third-largest equity position on June 30, according to SEC filings. Since then, Chemical shares are up 28%.

Steinhardt's hanging on to much of his Chemical position, says a spokesman, but he's taking profits on other banks. These days he likes insurance stocks. He thinks that industry is ripe for the kind of consolidation now sweeping banking; he's also impressed with the portfolio profits insurance companies are reaping from buoyant stock and bond markets. Streetwalker hears Steinhardt's taken positions in Allstate Corp. (ALL), Cigna Corp. (CI) and St. Paul Cos.(SPC).

John S. Abbott

Investor Michael Steinhardt

Nothing to sneeze at, but Mi-
chelle Clayman, who runs $240 r
lion (assets) New Amsterdam Par
ners in New York, thinks AMD de-
serves even better. At a recent 34
AMD's shares trade at 10.7 times C
man's estimate for 1995 earnings
compared with a P/E of 15.8 for I

Of course, $2.7 billion (estima
ed 1995 sales) AMD is puny comp
with Intel, which controls 85% of
the microprocessor market to AM
10% share. AMD took a knock in
April when its management warn
that its K5 chip—equivalent to In
tel's Pentium—would be delayed
next year. Meanwhile, competito
like Cyrix (CYRX; *see p. 112*) have
forced AMD to cut prices for its 48
chip, the last processor AMD relea

But that's all in the past, says
Clayman. Once AMD's K5 Pentiu
chip hits the market, she predicts
the shares will take off. She think
AMD's earnings will reach $4 a sh
in 1996; Clayman expects the stoc
reach $50, up nearly 50%.

Donald's debt

DEFYING REASON and sad experience, investors raced to buy the stock Donald Trump was offering in his Atlantic City casino empire this past June. Defying gravity, Trump Hotels & Casino Resorts' shares (DJT) have risen 30% since the IPO, to a recent 18¼. That's around 10 times estimated 1995 cash flow.

If you must bet on Trump, better to buy his junk bonds—especially the $780 million in bonds issued by the Taj Mahal casino. The 11.35% first mortgage notes are valued at about five times cash flow.

Like most Atlantic City casinos, Taj has done well this year, with cash flow in the second quarter at $38 million, up 53% from 1994. The boffo performance has already boosted Taj bonds 23 points in 1995; but at a recent 88 cents on the dollar, they still carry a juicy 16.6% yield to maturity. The bonds could reach the mid-90s in the next few months, says Steven Ruggiero, a casino bond analyst at Chemical Securities.

Taj bonds may rise for another reason. Rumors have Trump working on a merger of the Taj with his public company, which controls the Trump Plaza casino and a casino under development in Gary, Ind. Taj bondholders could get a mix of cash, stock and debt for their paper.

One caveat: Taj owes much of its recent success to President Dennis Gomes. His contract expires this fall, but Ruggiero thinks Trump will do what he must to keep him.

Tinlay-REX USA

Casino mogul Donald Trump

Chip shot

WHILE INTEL Corp. (INTC) shares have nearly doubled in this year's hot technology market, rival Advanced Micro Devices Inc.'s (AMD) stock is up just 38%.

From sizzle to fizzle

COTT CORP.'s aggressive account
ing—a polite term for stretching
rules—maneuvers have made the
Toronto-based maker of private-l
colas a target of short-sellers. A m
jor issue: Cott (COTTF) takes adva
tage of liberal Canadian accounti
rules and capitalizes rather than e
penses prepaid contract costs for
curing shelf space. It also capitali
development costs for such thing
as package designs and labels. In
U.S. such practices, while legal, a
considered inappropriate.

Cott's Nasdaq-listed shares hav
sunk to a recent 10—down 73% f
a high of 37¾ in November 199
and the bears seem to have taken t
profits and moved on: As of mid-
August, Cott's short interest was
8% of its Nasdaq float, compared
with over 25% a year ago.

Is it time for bargain-hunters? N
so fast, says analyst Jennifer Solom
of Josephthal, Lyon & Ross. Cott
reported second-quarter profits o
cents a share, little changed from
same period in 1994. But earning
would be about 3 cents less, she e
mates, were Cott to use less aggre
accounting techniques.

Another worry: Cott's burning iles of cash to fire up its sales. It spent 4 million in the second quarter, artly on advances to retailers to se- ure shelf space. That's up 123% om 1994. The money wasn't gener- ted from operations; it came from a ecent $160 million junk bond offer- ıg, Cott's first. Solomon suggests assing this one up. –LISA SANDERS

'aper chase

HE JULY merger of Scott Paper and imberly-Clark may have created an vestment opportunity in Mexico. oth companies have publicly traded lexican affiliates. Kimberly-Clark México is 43% owned by its Dallas arent. Its shares are fairly valued, ys Oppenheimer & Co. emerging arkets analyst Mark Phillips. But vestors may clean up by buying ares in its biggest rival, Grupo risoba, 49% owned by Scott. Phillips thinks Crisoba's shares ould fetch a 40% premium if the exican companies merge, which expects to happen in early 1996. he pair would have combined sales over $1.3 billion, and over 90% arket shares in some categories. The deal isn't a sure thing. The mpanies' closest rival is controlled billionaire Carlos Slim Helú. He uld pressure Mexican antitrust reg- ators to block the deal. But Criso- 's got a heavyweight on its side: berto Hernandez, founder of namex-Accival, Mexico's biggest ancial group. His firm is one of isoba's largest investors. Want to bet on this deal? Criso- 's shares trade only on the Mexican lsa, so you must buy them in pe- . But Phillips thinks the stock, re- ntly trading at 50 pesos (about), could be worth 70 pesos in a rger.–CHRISTOPHER PALMERI

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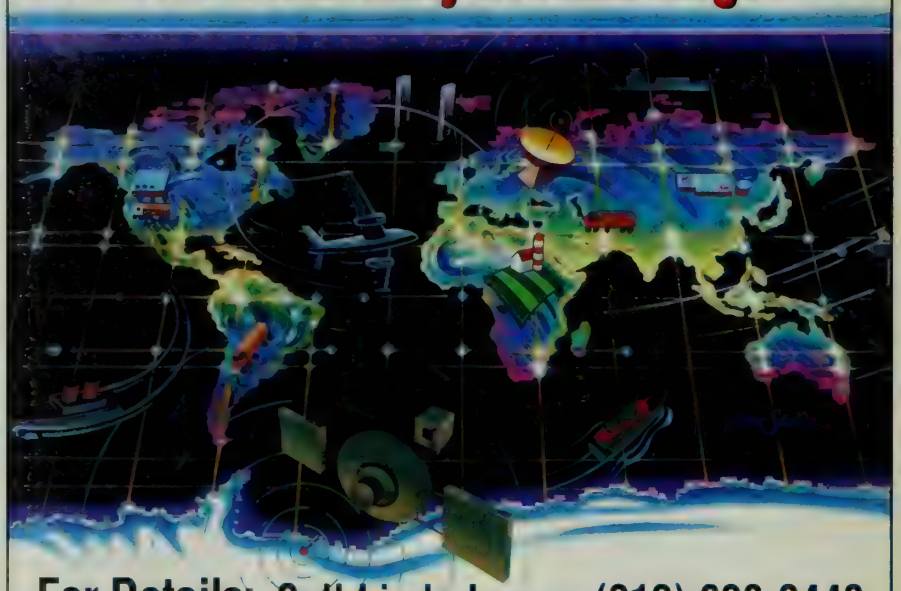

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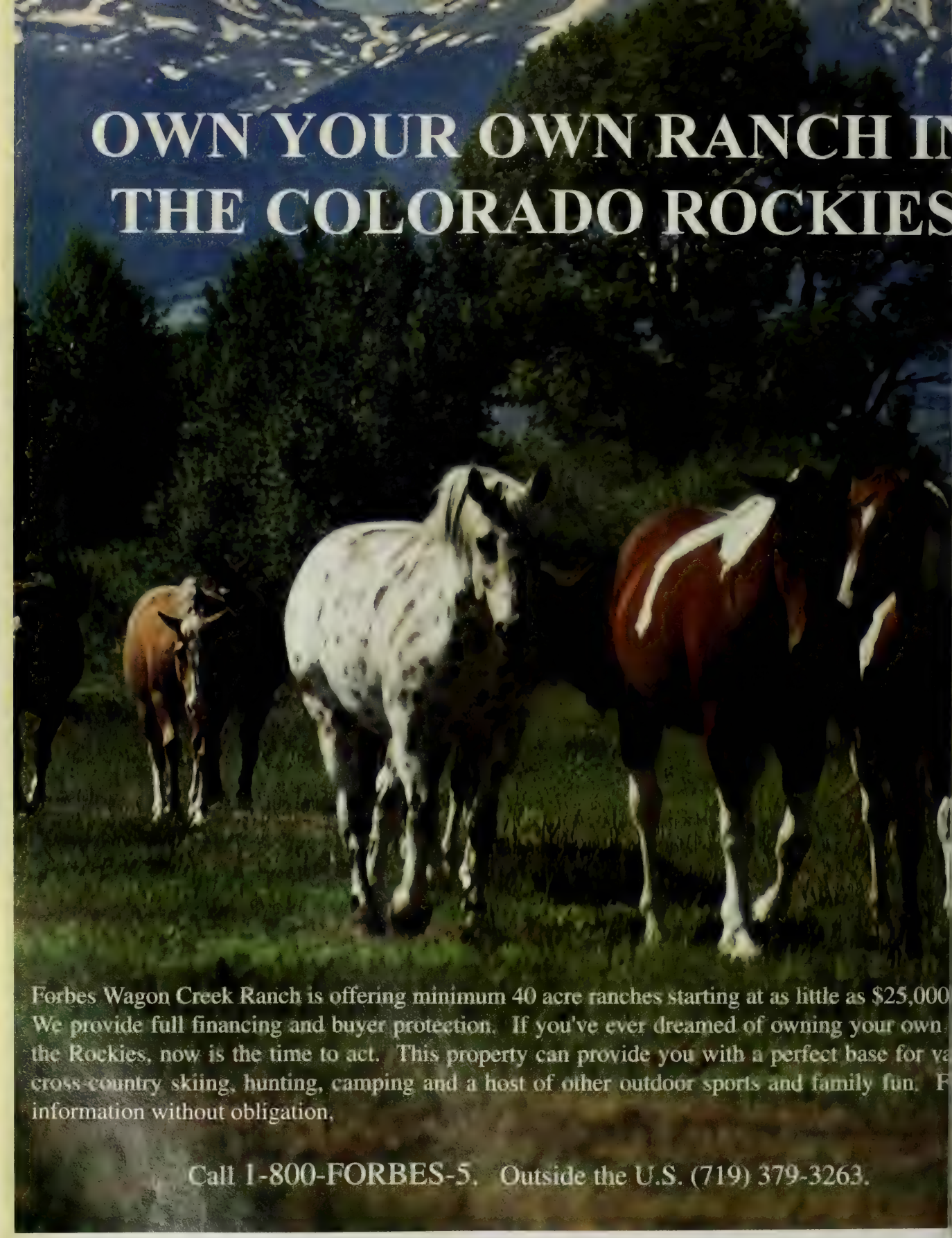
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Equity with a coupon

BY DAVID P. GOLDMAN

vid P. Goldman is anaging director Bear, Stearns & Co.'s ancial Analytics Structured nsactions group.

WE ARE ALL BEING subjected to a steady drumbeat of advice telling us to put all our money in stocks. It's what you would expect in the midst of the greatest bull market in history, but it doesn't change the time-honored truth that diversification among asset classes is the best policy. Last month I suggested mortgage-backed securities for investors who want to diversify out of stocks. Another way to do it is with junk bonds. Junk bonds are equity with a coupon, a debt-equity hybrid with less upside as well as less downside than stocks.

Diversification means combining assets whose returns don't always move in the same direction. Junk bonds fit the bill. Between 1987 and 1992, for example, junk bond returns showed a 51% correlation with stocks and a 27% correlation with Treasury bonds. Besides providing diversification, they offer high prospective returns to both debt and equity investors. In a stock market correction, junk usually performs much better than equities. From a yield point of view, junk looks attractive relative to higher-grade corporates. Yield-hungry institutional investors have bid up the prices of investment-grade bonds (with ratings of AAA to Baa). So junk—lower-rated bonds, which most institutions can't buy—is a comparative bargain.

Pension fund managers and life insurance companies can't put more than a tiny fraction of their assets into "noninvestment-grade" bonds. So junk is paying more, while investment-grade debt is paying less. The incremental reward for trading down credit quality now is higher than it ever has been, and more than compensates individual investors for additional risk.

As the table shows, "junk" credit ratings pay roughly the same spreads they did at the beginning of 1995. The lowest investment grade, BBBs, pay substantially less.

A portfolio with an average single-B investment grade pays up to 6% above U.S. Treasurys. What about the risk factor? Historical default rates for lower single Bs range around 2%, which is considerably less than the yield advantage that junk offers. This means that junk bonds will outperform investment-grade bonds in anything better than a total economic catastrophe. And right now, an economic catastrophe is about as likely as a Martian landing.

If junk makes you nervous, here's a suggestion: Do half junk, half Treasurys. You would still get a better yield than you would from an all-Treasury portfolio. I'm not that cautious: My entire fixed-income portfolio is in junk.

In these days of equity mania, you are missing a good thing if you don't have some of your money in junk bonds.

For most investors—anyone with less than $1 million to commit—the best way to invest in junk bonds is through a good mutual fund. Just check out the "Best Buys" in FORBES annual mutual fund issue *(Aug. 28)*. With less than $1 million or so to spend, you can't diversify sufficiently across industries. To diversify, you should own at least ten bonds spread across different industries. If you do have $1 million or more, you are better off in individual bonds.

Be careful in buying individual issues, though. Stick to the more than 500 high-yield issues traded on the NYSE or Amex. Odd-lots of these issues trade at a reasonable bid/ask spread. Bear, Stearns' high-yield bond trader Barbara Reguero observes that investors with the patience to leave an order in for several days frequently can obtain the bid price. Unlisted bonds, by contrast, can be hard to sell.

Second, do your homework. There is no such thing as a generic junk bond. Research counts for a lot, and you should ask your broker to show you a good record on individual picks. ■

Top of the junk heap

Month	Junk: CCC CCC+	Junk: B– B	Junk: B+ BB–	Investment Grade: BB+ BBB–	Investment Grade: BBB–	Investment Grade: BBB+
Jan 95	870	518	376	197	111	83
Feb 95	838	490	367	185	98	82
Mar 95	859	497	370	176	111	79
Apr 95	777	471	332	160	109	77
May 95	854	612	383	203	110	93
Jun 95	887	625	390	187	105	82
Jul 95	810	578	351	180	103	73
Aug 95	883	601	367	197	88	67

[1]Yield in excess of Treasurys.

investors t take antage nk bond is, which es profit ortunities for ittle guys.

Beta mania

BY DAVID DREMAN

David Dreman is chairman of Dreman Value Management, L.P., Investment Counsel, New Jersey, and author of *The New Contrarian Investment Strategy.*

RISK MANAGEMENT has grown into a multi-billion-dollar industry. Full-page ads stressing the need for this service appear from large measurement organizations. Mutual funds trumpet themselves as low risk—stick with us and you won't be badly hurt in a downturn.

But can you really measure risk with any accuracy? No. Most of the claims are pure bunkum, based on increasingly discredited academic theories.

It was thought that you could measure risk by figuring Beta, which is an individual stock's or portfolio's volatility relative to the market. If you knew Beta, you could forget about the fundamentals like working capital, debt load, cash flow and the like. If you bought stocks with low Betas, you would very likely stay high and dry when the deluge came. It is on this volatility argument that most risk measurement rests.

But Beta's foundation has crumbled. In 1992 University of Chicago professors Eugene Fama and Kenneth French, two widely respected academics, demonstrated convincingly there is no correlation between volatility and subsequent results. Just because a stock or portfolio was volatile in the past or stable in the past is no assurance it will continue to be so. In Fama's words, "Beta as the sole variable in explaining returns on stocks is dead!"

But not buried. It's time to bury it. Looking at Beta alone is dangerous for several reasons. First, it examines markets in a one-dimensional manner. Low-risk ratings are given to money managers or mutual funds because they have been less volatile in the past. That's like driving by watching the rearview mirror.

In the early part of last year money market and short-term bond funds were a classic example of the silliness of Beta. A fair number took major hits because of their speculative use of derivatives and leverage. These managers made highly leveraged derivative bets on the direction of interest rates. At first this led to an increase in return and, not coincidentally, some received the top rank for risk and return from many rating services. Money poured into these "low-risk" funds at precisely the wrong time. They were about to go from low Beta to much higher Beta. They were risky as hell. You can even make a penny stock on the Vancouver Stock Exchange look "low risk" if you manipulate the price accordingly.

So what should you do? As an investor, look at risk the same way you would in your own business. Examine the intrinsic quality of stocks your funds buy, their financial strengt weakness, their use or nonuse of derivatives. You don't need past action in the market to you where risk lies. You can find the answer studying the statistics of the stocks and of th companies behind the stocks.

Here are a number of companies that lool interesting to me right now, judged by mor appropriate risk measurements.

American General (37) is a large diversifi insurance company headquartered in Houst that is currently digesting its acquisition of Franklin Life. With acquisition costs behind earnings should move up sharply in 1996. T

Hold on to your wallet when someone touts a "low-risk" mutual fund or stock. Most of the claims are pure bunkum.

stock trades at a P/E of 9 on 1996 earnings and yields 3.3%.

First Tennessee National (55) is a conserv tive regional bank holding company. Earnin have improved in each year of the current decade and should be up 10% in 1995. The stock trades at a P/E of 12 and yields 3.4%, at 1.7 times book.

Firstar (37) is the largest bank holding company in Wisconsin. Earnings have been nalized by acquisition charges in 1995 but should show a 15%-plus increase next year. trades at a modest 30% premium to estimat year-end book, has a price/earnings multipl 12 and yields 3.6%.

Humana (20) is one of the nation's large HMOs. The company, along with most of th industry, has been knocked down because o minor earnings disappointments. HUM shou continue to show better than 15% earnings growth over time. The stock trades at a P/E 15 on 1995 estimates.

National City Corp. (30) is a regional wit branches in Ohio, Kentucky and Indiana. E ings should advance by 10% to 15% this yea with another gain likely in 1996. NCC trades P/E of 10, yields 4.4% and is at a 50% premi to estimated year-end book value. ■

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Don't throw away your charts

BY MARK HULBERT

Mark Hulbert is editor of the Alexandria, Va.-based *Hulbert Financial Digest,* a monthly service that monitors the performance of investment advisory letters.

"TECHNICAL ANALYSIS is anathema to the academic world," said Princeton professor Burton Malkiel, author of *A Random Walk Down Wall Street.* "One, the method is patently false; and two, it's easy to pick on." But it hasn't only been professors who dump on technical analysis. The art used to be so out of favor among Wall Street firms that some practitioners refer to the early 1960s as "sore-knuckle days"—meaning they were constantly scraping their knuckles when they had to hide their charts in drawers whenever a superior walked by.

At the risk of being labeled a kook I'd like to put in a good word for these people with their charts and esoteric approaches. Three of the top four investment letters tracked by the *Hulbert Financial Digest* over the last 15 years rely at least partially on technical analysis—*Value Line Investment Survey*, *The Chartist* and *The Zweig Forecast.* The second-place *The Chartist*, edited by Dan Sullivan, utilizes it exclusively.

Today, of course, all Wall Street firms have directors of technical research. And even some of the professors are coming around. Consider a comprehensive study that was published in the December 1992 *Journal of Finance*,[1] which encompassed nearly 100 years in the U.S. stock market (from 1897 to 1986). It found what it called "strong support" for moving-average systems, which are the most popular of technical trend-following strategies.

Respectable folk used to laugh at charting and other forms of technical analysis. Recent studies are causing them to take a second look.

But that's not all. The *Journal of Finance* study also found that the basic presuppositions behind charting have validity. Charting is a special type of technical analysis that often requires looking at the patterns that appear on a price chart. It was made famous by Robert Edwards and John Magee in their key 1948 textbook *Technical Analysis of Stock Trend*
Until now it has been the type of technica
analysis that has been most readily dismiss
by academics. Yet, the *Journal of Finance*
study found that the violation of support le
and the eclipse of resistance levels are goo
sell and buy signals, respectively.

What surprised me was how little contr
versy the new study stirred. I expected thi
study to precipitate the academic equivale
of an earthquake. I anticipated an avalanch
outraged responses from other professors
who had staked their reputations on just t
opposite being true. But according to Un
versity of Illinois professor Josef Lakonish
one of the study's authors, there was very
little negative reaction. He is unaware of a
rebuttal that calls his study's conclusions
into question.

In the two years since the study appeared
conclusions have been reinforced and made
stronger. For example, University of Wisco
sin professor Blake LeBaron, another of the
study's authors, has expanded the inquiry t
focus on the foreign exchange markets. He
discovered that the technical trading rules t
work for U.S. stocks work there as well. In
another study soon to appear in the *Pacific Basin Finance Journal*,[2] two more professo
report that technical trading rules work in t
Asian stock markets.

And so it seems that academia is not imm
to the same forces of group-think and herd
stincts that sway the rest of us. First, near-
unanimous disapproval of technical analysis,
acquiescence in its growing acceptance.

Didn't Malkiel and other skeptical profes
sors have extensive statistical studies showin
that technical analysis didn't work? Yes, bu
those studies were evidently wrong.

Lakonishok explains how learned profe
sors can go wrong: "Take the most powe
statistical models known to man, casually
pass them over a set of data and you can e
conclude that the series takes a random
walk. Even when important . . . patterns
actually exist. If you do not know where
to look for something, you will probably
not find it."

Among the editors of the bottom-perfor
ing letters, for example, you also will find tec
cians. The stuff isn't magic. But neither is it
garbage. It can be a useful tool. ■

[1] "Simple Technical Trading Rules and the Stochastic Properties of Stock Returns," by professors William Brock and Blake LeBaron of the University of Wisconsin and Josef Lakonishok of the University of Illinois.

[2] "The Profitability of Technical Trading Rules in the Asian Stock Markets," by professors Hendrik Bessembinder and Kalok Chan of the University of Arizona.

The parking lot indicator

BY A. GARY SHILLING

Gary Shilling is esident of A. Gary illing & Co., eco- mic consultants and estment advisers. s firm publishes ight, a monthly wsletter covering the siness outlook and estment strategy.

MAYBE YOU CAN'T judge a book by its cover, but you can learn a great deal about an organization by studying its parking lot.

I'll start with my local hospital, Overlook Hospital in Summit, N.J. Its motto is: "We stand by to assist." But look at the parking lot and you will get a different message. That message is: The public comes second.

Here's how I read that piece of pavement: At a commercial firm's offices or plants, the parking spots closest to the front door generally read "Visitors." That's where the people who buy the company's products or services get to park. But at Overlook—or any other hospital I have ever been near—those close-in spaces say "Doctors Only." The patients, the paying customers, park where they can and pay a fat fee to boot. Whether the hospital knows it or not, it is showing its true nature, as an institution run not for the customers but for its medical staff, even though the M.D.s have no financial responsibility for the place.

Of course, the medical services industry is changing rapidly, and many M.D.s are literally employees of HMOs, or are close to it in other medical delivery systems. With the resulting loss of perks the docs are grumbling. Still, I won't be completely convinced that Overlook is run for the patients until the prime spots are marked "Patients Only."

Some corporate parking lots are organization charts in macadam. Avoid the stocks and avoid the products.

Parking lots are eloquent. Government employees call themselves public servants. Many of the rest of us call them bureaucrats, and the parking pecking order around their offices says we are right. Check out your local town hall. If it's like mine, there may be a few spaces near the front door labeled "Official Business," but the rest read "Town Employees Only." No wonder so many of these people regard their jobs as sinecures and the public as a nuisance.

The parking lot test can also help investors. Ever notice something different about insurance company employee parking lots? Most of the vehicles are parked headed out. This undoubtedly reflects the orderly, punctual mindset of typical insurance company employees. They arrive at their desks precisely on schedule, do their well-defined work, but, boy, when quitting time arrives, it's worth your life to be standing in the parking lot exit.

Now, assume you are considering buying stock in an insurance company because it just announced a major diversification into a new field, say, aggressive global investing. That's a business that you can't do from 8:30 to 4:30 and then rush for your car. Before you invest, make sure that a lot more cars in the parking lot are positioned heading in and are there long before and long after normal working hours.

Some companies are so structured that their parking lots are organization charts in macadam. "Reserved for Mr. Big," the best space says in bold letters. There's a company where Mr. Big is so high and mighty that no one will ever question his judgment. I'll put my money on companies where the parking spaces are first-come, first-served, with a break for customers and perhaps that month's outstanding employees. Those are likely to be places where everyone has a voice and information flows freely in both directions.

For years Detroit's big three allowed only their own cars in their parking lots. Then they relented and let in the competitors' products—as long as they were American-made. No wonder the Japanese almost rolled over them. Did they think they could get rid of the competition by putting their heads in the sand and banishing it from their parking lots?

Take those parking lots seriously. I know an analyst who is equally comfortable buying or selling stocks short. He stopped to visit the management of a medium-size company and heard nothing but glowing reports of sales and orders. Upon leaving, he drove around to the factory, right behind the offices, and saw exactly 6 cars in the 200-car employee lot. He shorted the stock, and Chapter 11 came several months later.

To be fair, I should reveal what our parking lot says about my firm. Not much. I get the choicest spot, but only because I am the first to arrive at 6 a.m. ■

EDITED BY WILLIAM G. FLANAGAN

Turn right for New Mexico

Wagon trains of RVs, biker bums on pensions, a shortage of pornography, but everywhere a casino.

By Thomas Easton

TWO YEARS IN JAPAN. Two years' absence from cheap coffee, body piercing, oversexed senators, corporate mergers and murder trials served up as entertainment. Also two years away from the kind of vast, empty space that extends beyond where anyone would go, where anyone would look.

Before returning to work for FORBES in New York after living and working in Japan, I thought I should take a look around my home country.

So I bought a motorcycle out West, and traveled 5,000 miles. For three weeks I meandered on a large BMW from Phoenix to New York City. North to the Grand Canyon, turn right to New Mexico, left to South Dakota, and then right again, until my front wheel was splashed by the Hudson River.

Certain scenes will long be loaded into my memory: Twisting over Colorado's San Juan Mountains at dusk, and the Badlands at dawn; pausing in a fortuitous traffic jam on the bridge crossing near Niagara Falls; accelerating, always accelerating, through a terrifying but lovely lightning storm on the Wyoming prairies.

I wanted more than a View-Master version of America. I wanted to taste local food, read local news and get a sense of the pace of ordinary life. And I got it.

Reimmersion shock began immediately with the logistics of travel. In Japan it's fairly simple: Bring money in larger amounts than anyone not paid in yen would want to contemplate. That money is then channeled to the various overt and covert cartels composing the country's travel industry. No use shopping around for the best deal. Price competition is minimal; Japan's form of equality means everyone gets the same lousy deal. There are compensations for the Japanese: They don't waste their lives maximizing frequent-flyer miles or calling around frantically to nail down the lowest airfares. The moneylosing Japanese airlines would rather run empty than cut a deal.

It was wonderful, I thought, to back in America. I bought a ch space-available ticket—but was signed an empty business-class se

The euphoria lasted only unt picked up my motorcycle. I'd bou my previous bike at Orange Bo vard, the lyrically named dealershi Tokyo. There salesmen can actu build what they sell, and any mec nism exiting the friendly shop i close to perfect as man can achi The broken-down vehicle, perl the single consistent feature on e American road I traveled, doesn't ist in Japan.

I picked up my new BMW motorcycle supermarket in the Ph nix suburb of Chandler. After driv about one-third of a mile from the on my brand-new baby, lights that never supposed to glow began fl ing on the instrument panel. engine and computerized brake tem failed as I moved down a crowded boulevard. I nearly bec part of the pavement.

Back at the shop my glib, bike-nb salesman cited a minor misad-ment of the carburetor idle w—he was unaware that there is carburetor on a fuel-injection en-e. He then disappeared, to be next rd from weeks later in the mail, ring a discount in exchange for ding a friend. I thought back to ous lectures by Japanese officials he press on why American sales niques were not an exportable duct.

day's delay for bike repairs and gling over method of payment nt an extra night in Phoenix. It no hardship staying at the land-k Arizona Biltmore, which was ring summer rates ($90 per night a single). The structure was de-ed by a Frank Lloyd Wright disci-nd bears a strong resemblance to ght's own Imperial Hotel in To-constructed at roughly the same . All but the facade of the Imperi-s destroyed during the 1960s as of a continual urban renewal that es any Japanese structure with dry ent a good candidate for demoli-Happily, the urge to purge old dings doesn't any longer afflict J.S.

nally heading out at the peak of afternoon heat toward a cooler ate 1,000 miles away, I passed one shopping center or housing project after another, increasingly interspersed with large lots being offered for development. After 120 more desolate miles, I paused in the small town of Rye Creek, Ariz. and drank milkshake-size containers of iced tea.

Why, I asked the few other stragglers at the bar, had they come here to live, in the middle of a blazingly hot nothing? One older man answered that he had done his tenure in the military in northern Alaska, where it was so cold no engine could ever be switched off for fear the lubricants would freeze. After his discharge he settled in the warm Southwest and had no intention of leaving. More modest stories in the same vein were repeated by others from the Midwest and Northeast; as I headed back to their forsaken former homes, I wondered if I was going the wrong way.

And I was not alone. Strung out across the freeways of the West were long, beige lines of recreational vehicles—luxury homes for an itinerant class that could create overnight Levittowns in a campground, only to leave it barren of even a candy wrapper the next day.

Since travelers seem often to be segregated by vehicle type, I came most frequently in contact with a different group: fellow bikers in their 30s, 40s and 50s, drifting back and forth across the country on motorcycles, often alone or with just a few friends.

Many were young retirees, cut loose early by companies after just a few decades of work, given good pensions and still in vigorous health. At a motorcycle rally in Sturgis, S.D., I had coffee with a former Ford factory worker who had begun working in his teens, and after 30 years received a severance sufficient to keep him traveling for as long as he was able. Similar stories were told by a former pilot for Northwest Airlines and a printer for a Detroit newspaper. They were all well into infinitely long journeys that would finish only with a pause at the hometown before beginning again.

Another group of transients I encountered I thought had disappeared—hobos. On the way to Sedona, Ariz. and then on to Flagstaff, I saw men in dirty, torn clothes, often with dogs, walking by the side of the road. They come up from Texas, I was told, trudging northward, accepting rides when offered, and even catching whatever open railroad freight cars still exist. The hot days, cold nights, and vast stretches between towns must have made such treks brutally hard; there was little help to be had along the way.

These gypsies were a source of fear for the proprietors of late night outlets, the liquor and convenience stores spread throughout the West. I tried to talk to a few of them, but they were solitary men, immersed in their own voyages.

Such rootlessness soon became a common, unremarkable part of the landscape. In Japan there are outcasts, but few strangers. After the terrible January earthquake in Kobe, I stood in a cold Buddhist temple temporarily transformed into a morgue, surrounded by more than a dozen unclaimed bodies unearthed in the rubble. A policeman in charge was at a loss about what to do. He had never before been confronted by people without identity.

The gigantic prairies of western Wyoming and the huge lush farms of Minnesota and Wisconsin took a bit of getting used to. In Japan open land meant rice fields the size of a parking space.

At dozens of diners and roadside stands, I got reacquainted with American road food—softball-size biscuits and gravy at Mike & Ronda's in Flagstaff, the nutrition-enhanced fruit smoothies in Taos, N.M. and the syrupy peach cobblers at Salvania's, in Batavia, N.Y.

I had become accustomed to the homogeneity of a hundred Japanese cities, each featuring neon Kirin beer and Fuji film signs. Now I was seeing the innumerable variations of what constitutes a small town today. Some still have Main Streets with barber shops and old-fashioned hardware stores, battered but still hanging on amidst shuttered furniture stores and long-gone one-room department stores. For others there was no main street, just a collection of strip malls. But at least there is room to grow; America is still only semi-urban, Japan almost 100% so.

At first a lot of what I read in local papers shocked me. Early on, I read a story about a father who decapitated his child during a car ride; another item lost in the second section was of a former NBA player tied to the contract killing of the woman carrying his child. In low-crime Japan either of those lurid stories would dominate the headlines for months, prompting a national round of self-examination. As my trip progressed, I was disconcerted to find that my sense of shock could be numbed so quickly. By the second week of my trip the horror stories had been buried under other, similar stories, and by the third week I couldn't recall headlines from one day to the next.

In some ways the Wild West seemed a bit tamed. In the Un States I left, anything went on magazine racks of convenience st But at the numerous gas station/ venience stores I hit at routine, mile intervals, the magazine were sparse, and were purged of e kind of sex that couldn't occur soap opera. Wyatt Earp, meet Grundy. Cigarettes were also spar thought of Japan, where risqué m zines and comics crowd the n stands, and years of government c ership of a tobacco monopoly ass smoker-friendliness.

Soft porn and cigarettes are frowned on, but one vice has not purged. Gambling, once though instrument of the devil, has bec America's pastime. Glittering on the interstates hawk cards and and bargain meals. Blackjack ta and roulette wheels became a c mon part of the landscape, like broken-down cars.

On a serene hillside overloo Glenwood Springs, Colo., the ce ry-old grave of Hollywood gam Doc Holliday has even becom shrine of sorts. Coins and liquor tles and fresh flowers line the to stone, inscribed with the simple taph: He Died In Bed. Doc's g was as close as I came to fin America at rest.

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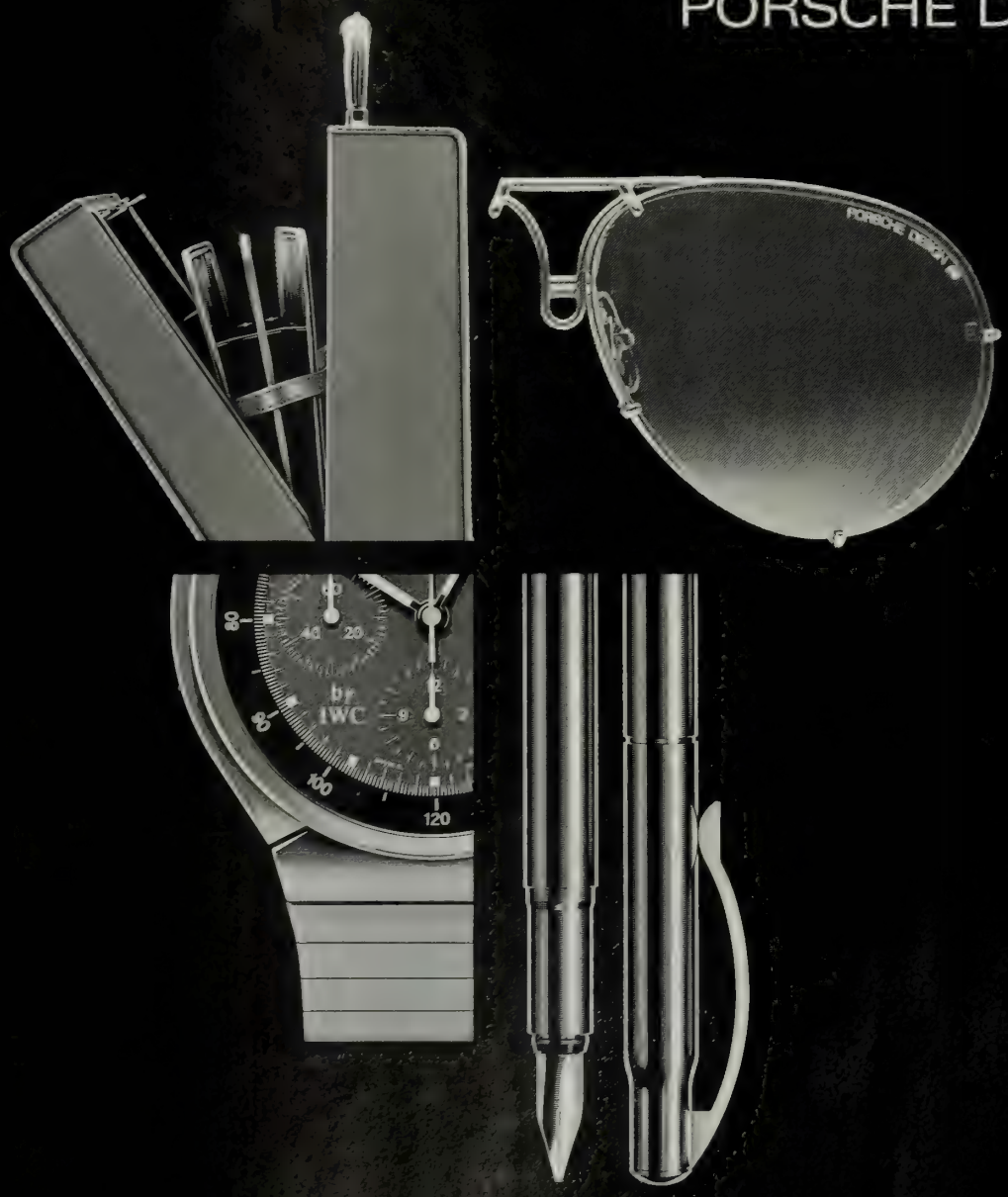

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EDITED BY KATARZYNA WANDYCZ

Golfer, spare that back!

Golfers who confine their exercise to swinging a club are asking for back trouble.

By Christopher Palmeri

CHICAGO ACCOUNTANT James Breen was having so much fun over a long weekend of golf in Tucson's Ventana Canyon that he ignored the soreness and stiffness in his back. By the third day Breen was in agony. He had herniated a disc. Swinging a club became torture. "It was like someone was taking a razor right down my leg," Breen recalls. "I never had such pain."

We hate to say this because we know you're tired of being told that things you like doing are bad for you, but facts are facts: Golf is tough on the back. The bending and twisting put a tremendous strain on your back muscles, ligaments and joints. As many as one-third of all professional golfers experience serious back trouble.

It can happen anytime. When taking the clubs out of the trunk. Putting a tee in the ground. Retrieving a ball from the hole. Raking the sand trap: Golfers often forget how light a rake is and push on it too hard. All of these movements can damage a disc or strain a muscle.

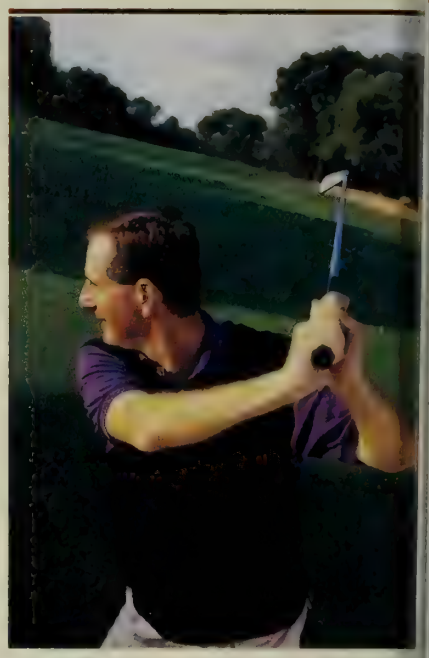
Rule 1: Don't bend from the waist while making these routine movements. Use your legs. Squat. And get help pulling clubs out of the trunk.

The key to golf, of course, is the swing. People spend their lives trying to master this. Dr. Mark Doyne of the Plano-based Texas Back Institute whose clients include Lee Trevino and Willie Nelson, says the key is t not slouch. Golfers should keep the backs straight and their rears stuck ou *(see pictures, left)*. If you are just learn ing the game, spend some time with pro to get the basic posture correct.

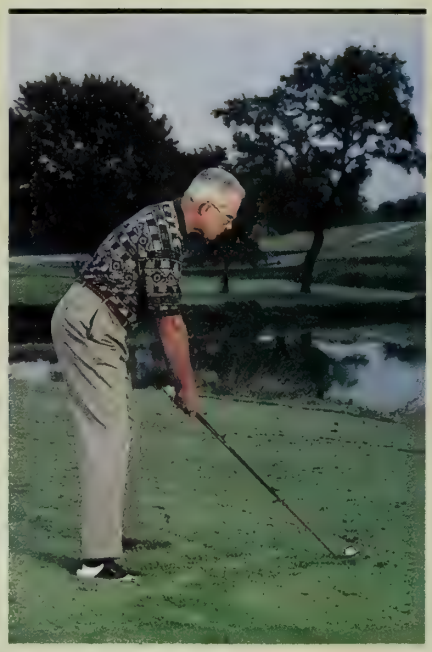
Rule 2: Don't confine your exerci to swinging a club. Betsy Voyles, th physical therapist who coached Bree back to health, runs seminars for gol ers with bad backs from her base at th Chicago Institute of Neurosurge and Neuroresearch. She tells golfe to walk the course, using a caddy pushing their clubs in front of them

In short, swinging a club is incomplete kind of exercise and won keep you in shape. "Fitness separat the fumbler from the golfer," sa golf great Gary Player. "Little Ta zan" they used to call Player becau he would head to the gym after game instead of to the 19th ho Player says he even exercises in t middle of a game by tightening back and pelvic muscles while waiti for his partners to shoot.

Golfer Lee Trevino makes stret ing exercises and jogging a part of daily routine. Trevino's back beg hurting him after he got hit by lig ning on the course. He's had t



Reformed golfer James Breen
No more swinging without the proper pre-play stretching.



Steve P. Pinkney/Courtesy Columbine Country Club of Dallas

The Texas Back Institute's Dr. Mark Doyne demonstrates the proper setup
In the left picture, Doyne bends at the waist, not the hips, thus curving the spine and putting stress on the back. On the right, bending correctly at the knees and hips. The spine remains straight.

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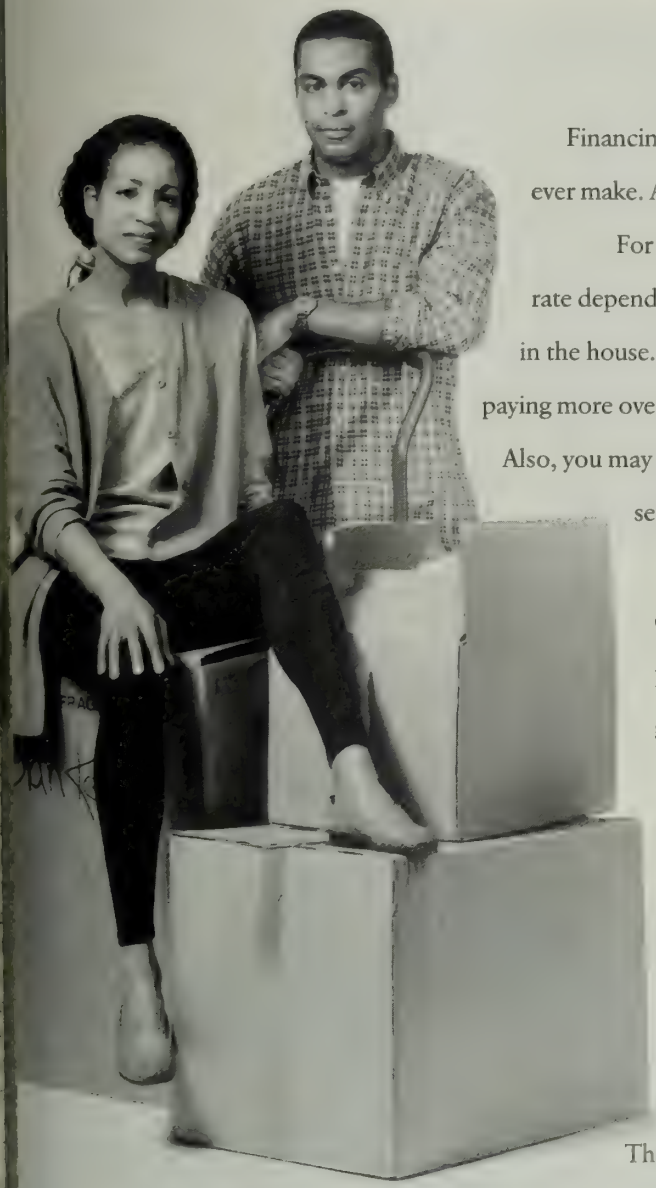

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lower-back operations, surgery for a torn ligament in his thumb and a titanium plate put in his neck. "Muscle is everything," he says. "I'm going to be 56 in December; I feel like I'm 30."

We can't guarantee that off-course exercises will take 26 years off your age, but they will improve your game and lessen your chances of back injury. Warm up before the game and include some stretching exercises in the warm-up routine to loosen the neck, shoulders and back. "So many golfers do nothing all week and then race to the course five minutes before tee time," says Dr. Lewis Yocum, whose Centinela Hospital Medical Center in Los Angeles is the official hospital of the PGA Tour.

Accountant James Breen got his herniated disc by doing what Dr. Yocum cautions against. Breen had to undergo extensive physical therapy, including time in a machine that stretched out his spine. Now Breen is back on the golf course, with new words of wisdom for fellow golfers: "If you're going to be a golfer, you have to do the proper stretching."

Dr. Yocum recommends a few preliminary minutes on the driving range, swinging everything from the shorter irons to the heavier woods. Hitting from natural grass is much better than from the rubber mats for shock absorption, he notes.

Golfers with a history of back trouble need a more serious set of exercises. Since his injury, Jim Breen has worked out four times a week for 20 minutes at a time. He lies on his back and performs stretches that include raising his legs, tilting his pelvis and bringing his knees to his chest. The focus with these exercises is on holding the positions for 10 or 20 seconds to strengthen muscles that don't often get a workout.

There are gadgets whose makers claim to protect golfers against injury, among them back braces, wrist braces and graphite clubs, which supposedly absorb some of the shock of hitting the ball. Try them if you like, but they are no substitute for exercise. A good source of stretching routines is Centinela Hospital's *Exercise Guide to Better Golf* (Human Kinetics, Champaign, Ill., available at book stores for $9.95), or Gary Player's new book *Fit for Golf* (Simon & Schuster, $15).

"Like Santa Claus"

Blaine Kern has made a business of New Orleans' Mardi Gras and has had a ball doing it.

By Graham Button

IF YOU REVEL next year at New Orleans' Mardi Gras, you can thank Blaine Kern for much of the fun. Kern, 68, is the creator of Mardi Gras' most spectacular floats. For this year's $2 million Endymion Mardi Gras parade, Kern built a 120-foot float that carried 120 masked riders and depicted old and new New Orleans. Mounted on the back was a giant slot machine that spat out thousands of doubloons featuring the Endymion club's logo and motto.

Kern is also the man most responsible for opening the once-snooty carnival to ordinary folk.

But for Kern, Mardi Gras is more than a celebration. It is a big of his livelihood. Blaine Kern Art now the world's largest builde parade floats, has been used by c brants from Cuba to Cannes. It ates the fantastic, oversize figures bob and weave past cheering thro

It's a dim memory now, but years Mardi Gras was closed to all

Blaine Kern with sons Brian and Barry
After declining a job offer from Walt Disney, Kern built his own Magic Kingdom in the city of Mardi Gras dreams.

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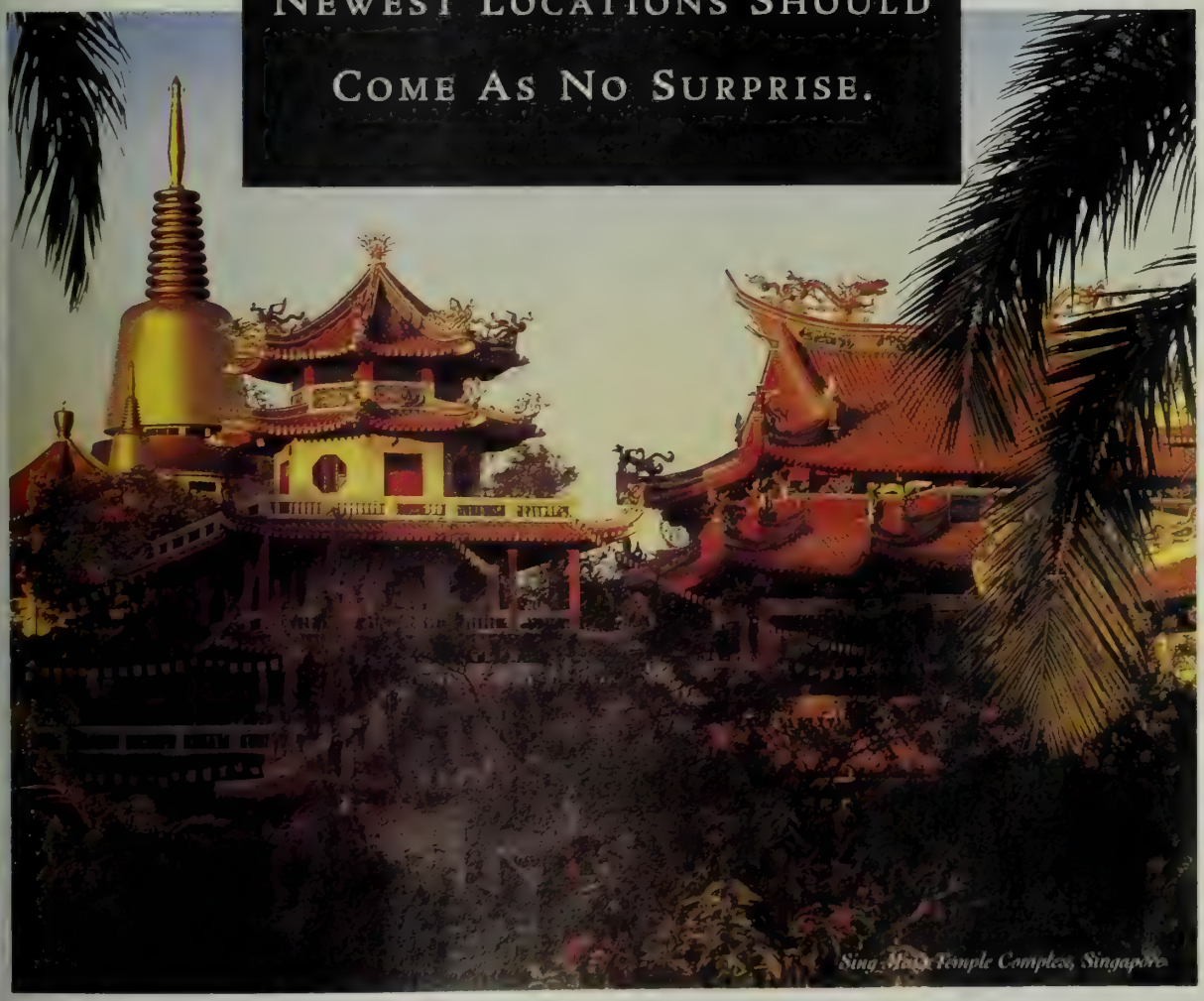

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the old families who controlled New Orleans' social structure. An outsider, Kern started to crack open the Mardi Gras enclave 27 years ago when he helped found the Bacchus carnival club, or krewe.

The son of an impoverished artist, Kern went to work at 14, painting smokestacks and ships in the New Orleans yards. When he offered to paint a mural in a hospital to help pay his mother's medical bills, he got his break. One of the hospital's doctors was captain of the Alla carnival krewe. He so admired Kern's mural that he asked the young man to design and build 11 floats for the club's 1946 Mardi Gras parade. Kern was off and running.

His Alla floats got the attention of wealthy businessman and socialite Darwin Fenner, the son of the Fenner in Merrill Lynch, Pierce, Fenner & Smith. Captain of the exclusive Rex krewe, Fenner underwrote trips to Europe for Kern to study carnival traditions in Cologne, Frankfurt, Nice, Viareggio and Valencia.

Back in New Orleans, Kern spotted a weakness in the Mardi Gras parades staged by the old-line krewes. Limited as participation was to an upper crust, they had lost much of their vitality, and the floats were predictable and boring. The floats that Kern built for Rex in the early 1950s were vivid: busts of dragons and storybook characters whose heads turned and whose eyes moved.

But though the krewes bought his wares, they remained exclusive. In 1968 Kern and a group of young businessmen decided to bulldoze Mardi Gras' social barriers. They started their own krewe, Bacchus, which produced the biggest, most extravagant floats ever. You needed no social credentials to join.

"Some people wanted to hit me in the head [for proletarianizing the carnival]," Kern recalls. They pressured the owners of the tractors used to pull Mardi Gras floats not to rent to Bacchus. Kern and the other upstarts bought their own vehicles.

Overcoming this obstacle gave Kern another business idea: Why not create floats and buy tractors to rent to others during the festivities? Kern built his floats with detachable features so they could be adapted easily to any number of themes.

Kern's rental business took off immediately. This year he'll rent more than 700 floats. He's refurbishing another 140 floats that belong to various parade organizations.

When Kern began building floats in the 1940s, there were just a dozen parading krewes in the New Orleans area. Today there are 57 and Kern builds floats for 31 of them. He also builds floats for Mardi Gras parades in cities like Biloxi, Miss. and Galveston, Tex. All told, his floats will appear in 60 or so major parades this year.

Kern is also capitalizing on the explosive growth in fantasylands. A second company, Kern Sculpture Co., founded in 1983 by son Barry Kern, 33, builds customized props and figures for theme parks (EuroDisney), casinos (Las Vegas' Luxor and MGM Grand) and emporiums (the Disney Store).

In and around New Orleans, Kern has warehouses, or "dens," totalir 500,000 square feet. One, now calle Mardi Gras World, has become tourist attraction in its own righ where for $5.50 visitors can view th Creature from the Black Lagoon, A ice in Wonderland, Marilyn Monr and Lee Iacocca. Last year more th 100,000 visitors toured the facili and gift shop. The Kerns also rent o Mardi Gras World for parties. S Brian Kern, 30, runs the busine which will generate over $1 million revenue this year.

Blaine Kern's next fantasy? To d velop 40 acres of riverfront proper he controls in Algiers, across the riv from New Orleans. Conjuring up vision of condominiums, hotels an giant Mardi Gras theme park, Ke says: "This is going to be *new* N Orleans. Sounds crazy, doesn't it?"

In 1959 Kern met a fellow mas of fantasy, Walt Disney. Visiting M di Gras, Disney was taken with Ker 18-foot-tall gorilla that walk snarled and grimaced. Disney put gorilla in his *Wonderful World of C or* TV show and offered Kern a j Kern considers Disney "the great man of the 20th century, because used his art and imagination to br down barriers between people." I he said no to Walt. He wanted remain on his own and stay at hor Today the Walt Disney Co. is one his best customers.

Big business? Not really. The K enterprises will probably gross $ million this year and keep the K family well fed, clothed and hous But Blaine Kern is having lots of f "If you write to Mr. Mardi Gras," exults, "I get the mail. Do you beli that? Like Santa Claus."

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Frame's the game

Some people have become so enamored of picture frames that they throw away the pictures.

By Ann E. Berman

"THE FRAME IN AMERICA, 1860-1960," at the gallery at the Federal Reserve Board in Washington, D.C. (January-March 1995), was the most popular exhibition in its 20-year history. Just frames? No pictures?

America is catching on to these long-neglected objects, which have been hot in Europe for decades. London frame dealers Arnold Wiggins & Sons Ltd. recently paid a record $54,000 for an 18th-century English Palladian frame at auction, and private sales have exceeded $100,000. Michael Gregory, the managing director of Arnold Wiggins, notes: "Period frames have a history, a patina that eludes modern gilders. They are full of subtleties, they are art objects."

You'd expect Gregory to say that. But in a way, history is on his side. Since the 15th century—when the form as we know it first appeared—frames have often cost more than what was in them. Framemaking commanded the same respect as cabinetmaking or architecture and mirrored the prevailing decorative and architectural styles.

Italian artisans carved the crisp flourishes and applied the subtle gilding that set off Renaissance masterpieces. It took real skill to fashion the swirling curves of the French Baroque, the deceptively simple black wood moldings preferred by 17th-century Dutch burghers, the Moorish designs of Spain or elegant English Palladian frames.

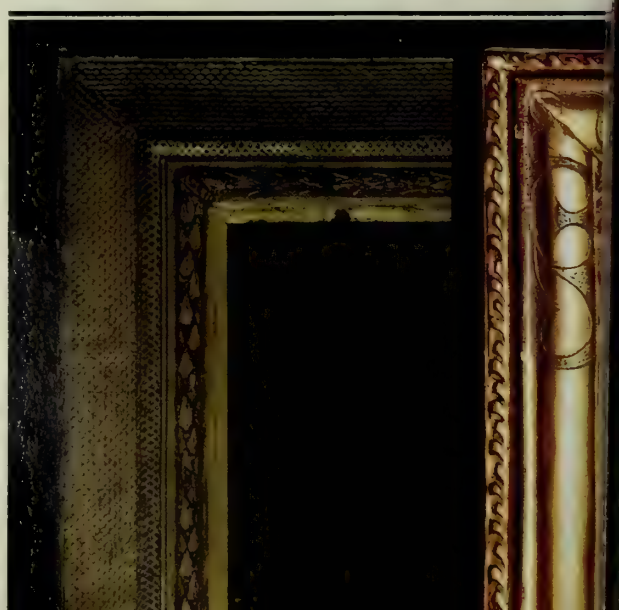
In the 19th century, "composition" frames—which were made of a kind of plaster—caught on, but hand-carved frames continued to be made. In this country turn-of-the-century designers like Stanford White, Arthur and Lucia Mathews and Charles Prendergast created some of the most beautiful American frames ever made.

By 1950 hand carving was too expensive and period frames went out of style. Even museums foolishly reframed their collections. Piles of 17th- and 18th-century frames appeared on the trash heaps of Madison Avenue. Fabulous Victorian plaster frames were destroyed by the thousands. In the 1950s a horse and cart driven by "Frank the Frame Burner" went through the streets of London collecting unwanted 19th-century gilt plaster frames to be stripped of their gold content.

A few smart collectors bucked the trend, and slowly the tide turned again. Bonhams auction house in London has held frame sales since 1972 and has sold 20,000 in the past two years alone. "Fifteen years ago any Italian period frame would do for your Bolognese painting," says frame dealer Gregory. "These days people want a Bolognese frame, and of the same date."

Eli Wilner, a New York frame dealer, is generally credited with bringing the period frame back in the U.S. "I found frames in flea markets, in antique shops," he says. "I could buy them for almost nothing, and I bought thousands. I put them away thinking I'd need them in 30 years,

Jim Dicke, head of Crown Equipment **Holding his favorite frame, by American framemaker Frederick Harer circa 1920.**



LEFT TO RIGHT: **Stanford White; Charles Prendergast; 16th-century Italian; Arthur and Lucia Mathews**

but I ran out in 6 years!"

No more buying for nothing. U.S. dealers now sell most good period frames for anywhere from $5,000 to $50,000. "People want to frame the way the artist would have done it," says Wilner. "The market has become much more scholarly."

Frames have even become art objects in their own right. "They ask me to design 'nesting formats' [one frame inside another]," says frame dealer William Adair of Washington D.C.'s Gold Leaf Studios. "The whole wall becomes a montage of ornament—a piece of wall sculpture."

Jim Dicke, chief executive of Crown Equipment, is a frame lover, who owns over 30 paintings with period frames. His favorite is an elegant, restrained, Spanish-influenced piece, circa 1920, by the Bucks County, Pa. maker Frederick Harer, now on a French painting of the same date.

Dicke believes that fine antique frames are still a bargain. "The market has not yet recognized the huge difference between old and new," he says. "It can cost $15,000 to reproduce a $25,000 period frame, and there's just no comparison."

Dealers Wilner, Henry Heydenryk, Julius Lowy and Guttmann Picture Frame Associates (all of New York City) and Gold Leaf Studios have thousands of great examples in stock. Wilner just coauthored *American Antique Frames*, the first price guide in the field (Avon, $15). The International Institute for Frame Study in Washington, D.C., a nonprofit archive, will provide on-line information on frames next year.

Expect this market to heat up a lot more after March 1997, when Washington's Renwick Gallery mounts an exhibition—working title, "American Frames"—featuring pieces between 1870 and 1940. ■

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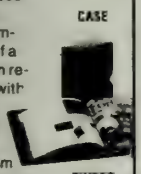

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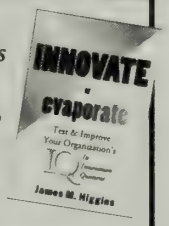

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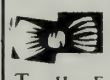

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In 1925 parlor car buses like this Cleveland-Akron flier were a real threat to both trolleys and interurbans.

'he more things change . . ."

0 years ago in Forbes

ROM THE ISSUE OF OCT. 15, 1925)

The market, indeed, has lately ex-bited irregularity. Pools apparently still churning quotations, but ost of them are now eager to un-ad. The public is not equally eager buy. The handiwork of the profes-nal manipulators is becoming rath-clearly apparent."

lorida's boom has a very interest-g and inspiring feature: namely, ev-body is asking, 'How long will it t?' This cannot be said of any previ-s boom of which I have any recol-tion. In every other boom the pub-has assumed that it would last ever."

0 years ago

OM THE ISSUE OF OCT. 15, 1935)

Many wealthy men are now busily gaged in transferring part of their ssessions, in the form of gifts, to es, children and other beneficia-s, thus escaping the heavier taxation ich comes into force on Jan. 1."

s if bureaucracy hadn't swollen ociously overfar already, Washing-announces its intention to build manage $100 million worth of rtment houses. Tenants, 'tis nned, will have to apply to political pointees whenever they want a new her on a tap or a room painted."

0 years ago

OM THE ISSUE OF OCT. 15, 1945)

shock-resistant, sealed beam dlamp, originally designed by stinghouse for military vehicles, is v available for civilian application. rmetically sealed in an all-in-one t, the lamp remains 'gas tight' ughout its life, preventing dirt moisture from leaking in."

"Russia becomes more and more dictatorial in its attitude towards other United Nations. From all accounts, Molotov, under orders from Stalin, wrecked the London conference of Foreign Ministers. Russia apparently demands a free hand in geographical areas where her interest predominates, but insists on denying similar latitude towards Great Britain and the U.S. where their interest predominates."

Mississippi 1935 "cotton road" used a cotton mesh between base and pavement.

25 years ago

(FROM THE ISSUE OF OCT. 15, 1970)

"[The year] 1969 was a big year for 'upstream dividends'—dividends paid from excess reserves by insurance operating companies to their holding-company parents. Some parent companies . . . also received substantial upstream dividends in 1968."

"Electronic communication, specifically television, is unquestionably the wave of the future—as it is the wave of the present. But not necessarily television as we know it today. . . . It may well be that network TV stands where the mass magazines of this country stood two decades ago. In those days, the big communications market on a national scale was almost a monopoly of *The Saturday Evening Post*, *Reader's Digest*, the women's service magazines and a few brighter periodicals such as *Life* and *Look*. Today the *Post* is gone, and gone, too, are other long-established mass magazines. The survivors—*Look*, *Life*, *McCall's*—are grievously hurting. . . . What's this got to do with network TV? The same factors that squeezed the mass magazines are . . . threatening network TV. They are: 1) technology; 2) increasingly sophisticated tastes."

Does Rube Goldberg's 1970 vision of a TV-focused living room seem weird today?

10 years ago

(FROM THE ISSUE OF SEPT. 21, 1985)

"Corporate chiefs are treated well in any country, but in the U.S. the treatment is royal. Total cash compensation—salary and bonus—paid to a chief executive running a $100 million U.S. corporation or division averaged $210,000 a year in 1984, at least twice the pay of counterparts in 13 of 19 countries examined by [a] New York City-based management consultant."

"U.S. investment abroad occurred mainly before 1974. The foreign catch-up here has boomed since then. That means U.S. assets overseas are carried on the books below current value, while foreign ones are close to par or, in the case of real estate, may even be overvalued. (Some 11% of total foreign investment in the U.S. in 1984 was in real estate, vs. 3% in 1974.)"

"On the announcement that the world's central bankers were getting together to push down the dollar, the Dow rallied 18 points in a day. Just as promptly, it marched down again. So, the market remained essentially directionless. Perhaps sensibly so, because no one can be sure what . . . the announced collusion will accomplish."

Many concerns now make part or the whole of their dividends from by-products that formerly went to waste. How do we, as individuals, utilize our principal by-product? Our principal by-product is, of course, our leisure time. Many years of observation forces the conclusion that a man's success or failure in life is determined as much by how he acts during his leisure as by how he acts during his work hours. Tell me how a young man spends his evenings and I will tell you how he is likely to spend the latter part of his life.

–B.C FORBES

A Text . . .

Be kindly affectioned one to another with brotherly love; in honor preferring one another; not slothful in business; fervent in spirit; serving the Lord; rejoicing in hope; patient in tribulation; continuing instant in prayer.
–ROMANS 12:10-12

Sent in by Mary Glaesman, Fallon, Nev.
What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

I keep my friends as misers do their treasure, because, of all things granted us by wisdom, none is greater or better than friendship.
–PIETRO ARETINO

One friend in a lifetime is much; two are many; three are hardly possible.
–HENRY ADAMS

Friendship: A ship big enough to carry two in fair weather, but only one in foul.
–AMBROSE BIERCE

Love is blind; friendship closes its eyes.
–ANONYMOUS

Every man should have a fair-sized cemetery in which to bury the faults of his friends.
–HENRY WARD BEECHER

Friendship is like money, easier made than kept.
–SAMUEL BUTLER

It is one of the blessings of old friends that you can afford to be stupid with them.
–RALPH WALDO EMERSON

We die as often as we lose a friend.
–PUBLILIUS SYRUS

Every time I paint a portrait I lose a friend.
–JOHN SINGER SARGENT

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Writers seldom choose as friends those self-contained characters who are never in trouble, never unhappy or ill, never make mistakes, and always count their change when it is handed to them.
–CATHERINE DRINKER BOWEN

Platonic friendship: the interval between the introduction and the first kiss.
–SOPHIE IRENE LOEB

A doubtful friend is worse than a certain enemy. Let a man be one or the other, and then we know how to meet him.
–AESOP

Wishing to be friends is quick work, but friendship is a slow-ripening fruit.
–ARISTOTLE

A true friend is the greatest of all blessings, and that which we take the least care of all to acquire.
–LA ROCHEFOUCAULD

Love demands infinitely less than friendship.
–GEORGE JEAN NATHAN

The communicating of a man's self to his friend works two contrary effects; for it redoubleth joys, and cutteth griefs in half.
–FRANCIS BACON

I can't forgive my friends for dying; I don't find these vanishing acts of theirs at all amusing.
–LOGAN PEARSALL SMITH

If I'm such a legend, why am I so lonely?
–JUDY GARLAND

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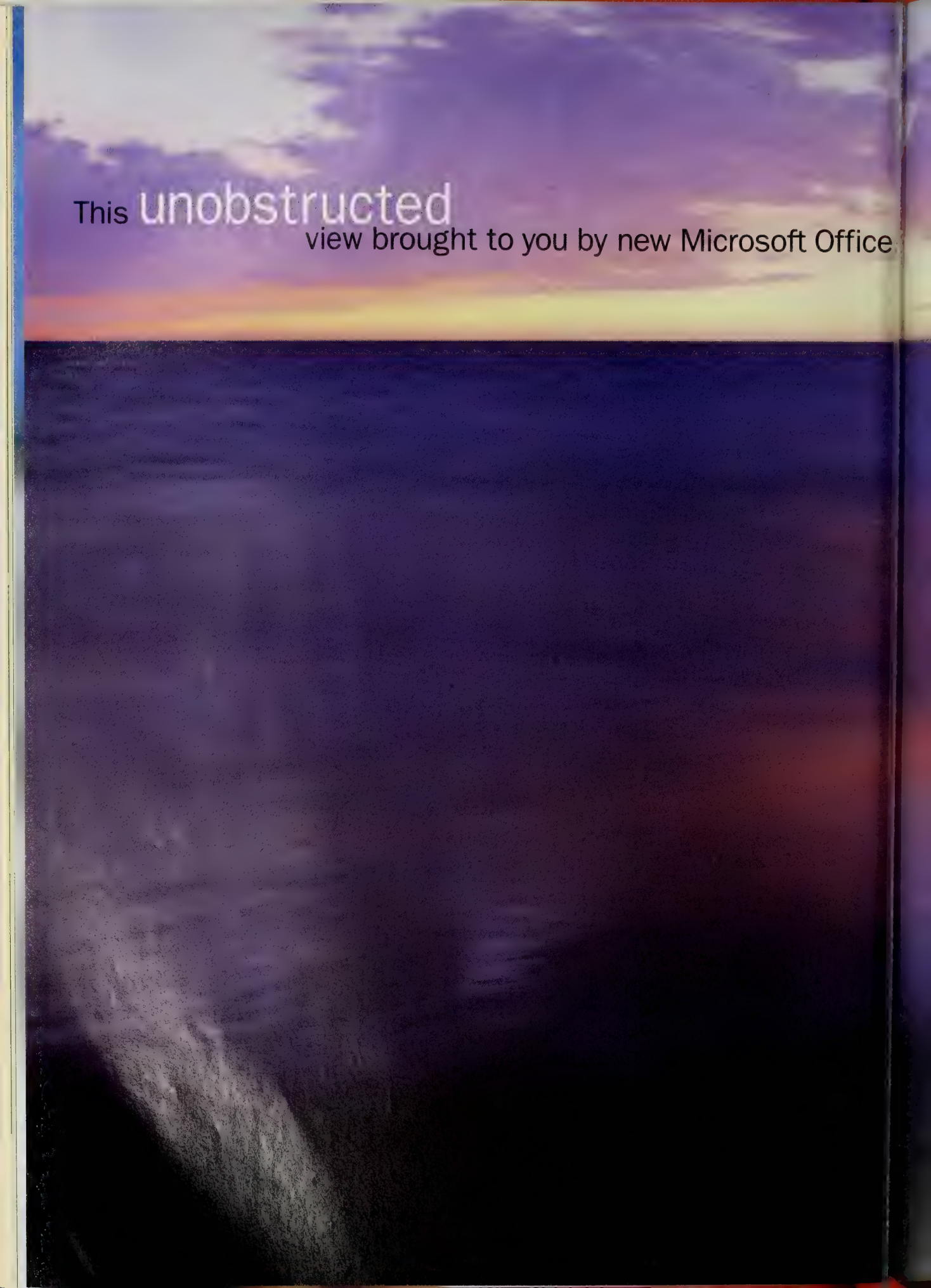
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9 The great technology successes are based on squanderlust—the willingness to "waste" computer power and bandwidth as they get cheaper and more plentiful. *By Rich Karlgaard*

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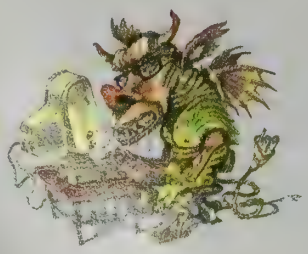

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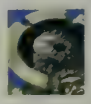

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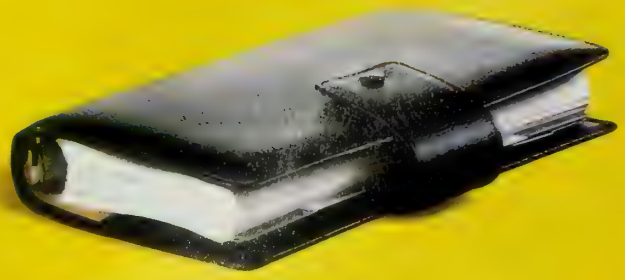
1992



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WASTE IS GOOD

f you don't learn to "waste" computing power and ndwidth, you won't move fast enough in tomorrow's warp-speed business world. By Rich Karlgaard

SECRET TO BUILDING WEALTH from 1970-95: *waste ter power*. Here's the same secret, modified for 1995- *waste computer power* and *bandwidth*.

matter the century or culture, the eternal job of preneurs and businesspeople is to manage assets wisely. tionally, these assets have meant land, labor and capi- nowledge has always been a factor of production, it is, after all, implicit in "managing wisely." But only ecently have economists started talking about knowl- s a separate factor of production.

wadays, even the most hidebound economist must with knowledge and its high-tech enabler, the micro- ssor. As the engine driving today's computers, the processor expands knowledge—and the use of knowl- -at exponential rates. In that role, the microprocessor biggest breakthrough since the printing press. Except e microprocessor is becoming cheap and plentiful so at wise management of it means...well, waste.

ttle background: On a drizzly November day in 1971, took out an ad in *Electronic News* to announce its processor. Can anyone dispute that this was the t day in the history of microelectronics?

el made its first microprocessor for a Japanese calcula- npany, Busicom. A four-bit marvel of integration and it sped through 60 instructions per second. Ten years BM introduced its personal computer, which zoomed e Apple II to become the industry's first million-unit The IBM PC was powered by an Intel processor, the It performed about 330,000 instructions per second.

today's top-end Intel Pentium performs about 166 instructions per second. That's a raw increase by a of 500 in 14 years. Go on another 15 years at the rate (which Moore's Law decrees) and you will ter chips that tear through 100 billion instructions cond. At those speeds, many of our current vexing -recognition problems will be a snap. Computers will to interpret what they "see" and "hear," and the ing of *2001*'s Hal will be a reality.

Not coincidentally, during the same 1970-95 period, a lot of folks got rich in America. Everyone knows the world's richest nonroyal is Bill Gates; his company, Microsoft, which he started in 1975, is worth $56 billion and Gates still owns a quarter of it. Intel itself has rocketed from a 1970 private company valuation of $30 million to $51 billion today. The entire PC industry has created some $250 billion in wealth—just in shares of publicly traded companies. And it all springs directly from the microprocessor.

But, of course, there's the indirect effect, too. The financial services industry has revitalized itself—and created countless new millionaires—around the power of desktop computers. Retail is a different business, thanks to bar code scanners and computerized inventory management. Pick any industry, and the best companies in it have jumped onto the microprocessor learning curve.

To do this is not easy. You have to learn the trick of "wasting transistors." If you don't waste transistors, you won't move fast enough in tomorrow's warp-speed business world. But somebody else will.

I know; wasting any asset sounds ridiculous, if not sinful. But microprocessors are different. Remember the scene in *Apollo 13*, where Tom Hanks is showing visitors around the NASA vehicle-assembly room? Here we have "things like a computer that can fit into a single room and hold millions of pieces of information," he says. You probably laughed. In 1970 it would have been criminally wasteful to deploy that roomful of computers on a spreadsheet. Today, it's considered wise asset management. The rule: "Wasteful" chip allocation today will make brilliant sense tomorrow.

During the next 25 years, unimaginable riches will go to those who learn to waste bandwidth as well as chip power. Some, as Microsoft and Intel do now in computing, will deliver a world of cheap functioning bandwidth. Others will profit by harnessing it. But show me tomorrow's Bill Gates and I'll show you someone who is already imagining a world of cheap chips and bandwidth today, "wasting" it in his or her dreams. ■

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Has It Changed Your Life Yet?

Letters to ASAP

Aw, Shucks

I am looking forward more and more to each edition of *Forbes ASAP*—an excellent addition to a fine magazine. Perhaps I incorrectly compare *Forbes ASAP* with *Wired*. I think you are increasingly better with each issue.
CLYDE PURDHAM
purdham@innet.com

Big Brother Alert

Great article on salesforce automation ("Can Computers Really Boost Sales?" Aug. 28). The single most important variable that will determine the success of an automation project is how it helps your salesforce. I have been involved in (or subject to) several salesforce automation projects where the main goal was to provide management with detailed information about where its salesforce was and what it was doing.

This big brother approach is doomed to failure.
THOMAS B. O'BRIEN
Chicago, Ill.

I enjoyed reading about your energetic Danny Turano ("A Day on the Wire," Aug. 28). But if he was headed for "his office" at the U.S. Open gallery at Shinnecock with all his toys he should have read his gallery ticket, which boldly stated: "NO CELLULAR PHONES, PAGERS, BEEPERS...RADIOS."
A. ROSS WOLLEN
New York, N.Y.

Muddling Up Moore

Moore's Law did not address computer power but the number of transistors on a chip. For the record, Moore has been saying (wrongly) for years now—most famously when he declared that it would not be possible to design a logic circuit with more than 250,000 (yes, thousand) transistors—that we had reached the limit of his law. The doubling of computer power every 18 months that you persistently attribute to Moore is actually an artifact of advances in computer design technology.
ANDREW ALLISON
Editor, *Inside the Computer Industry*
Carmel, Calif.

Visa's Prying Eyes

I read with interest the article regarding Visa International's "neural net" ("To Catch a Thief," June 5). It's obvious that credit card companies have not been going broke because of fraud running rampant. One must assume, therefore, that the cost of fraud is borne by the consumer in the form of membership fees and high interest rates.

Who will benefit from the savings generated by the neural net? Was the $4.4 million saved by Bank of America passed on to consumers? Will future savings created by the neural net be absorbed into the profits of the banks, or will interest rates and annual fees be reduced?

Those of us who have paid high interest rates and annual fees in order to offset the losses of the banks should be beneficiaries of this system, particularly because it represents a further invasion of our privacy.
JOHN A. BANNERMAN
Albuquerque, N.M.

I-Way Off-Ramp

Please, please, come back to reality. Most of your articles regarding on-line commerce and business opportunities are extremely far-fetched. With all the problems facing the American family today, a family of four, each in a different room of the house, all on different chat lines, is not my idea of progress.
BRIAN LANTIER
President, BNB Corporate Researchers
Belleville, N.J.

Peters Provacateurs

I should have predicted it. Tom Peters, the "ready, fire, aim" guy, is at it again ("The Peters Principles: A Nation of Wimps," June 5). Don't be a wimp, he says. "If you are going to have a robust economy and society, you're going to suffer/embrace Nick Leeson-size impudence and Barings-scale fiascoes. It's as simple as that."

I couldn't disagree with Peters more. It's foolhardy, wasteful and irresponsible not to work at keeping history from repeating itself. Peters cites the case of the Apollo fire, which is an excellent example; in fact, NASA learned from and corrected the problem.

What Peters would seem to recommend to his readers is to just get on with the next moon shot with the same risk. But it's important that every company must become a learning organization, to learn to develop and evaluate scenarios and understand the risks.

Peters doesn't even take his own advice. When he came to the pond with the sign that said "DANGER. THIN ICE. NO SKATING," he didn't just put on his skates and skate away. Tom, you're a wimp!
BOB POWELL, Ph.D.
Consultant, Continuous Improvement Associates
Colorado Springs, Colo.
scuba@usq.net

The sound and fury of rapid prototyping can be traced t Franklin Roosevelt's social programs: NRA, WPA, CCC, FHLB, Lend Lease... "do it now, stupid!" The e nomics of waste started the too. Not of transistors or bandwidth, but resources.
CHRIS KERLIN
chris_kerlin@email.mot.cor

I always enjoy reading Tor Peters, but he continually comes up with whiz-bang solutions based on anecdot without enough facts to ba them up. A perfect exampl his homage to rapid protot ing ("The Peters Principles Do It Now, Stupid!" Aug. 28). He implies that going from prototype to producti is a piece of cake. It isn't.

Rapid prototyping can a great tool, when it is use with caution and the unde standing that actual produ development has not yet taken place. The only real product of R&D is not a prototype, but a sound rec
MIKE THOMAS
Safety Harbor, Fla.

Watch Your Language

The caption for "tractor salesman Jerry Johnson" ("Can Computers Really Boost Sales?" Aug. 28) blu ders egregiously with "jerr rigger." The terms you've commingled are jury-rigge (temporary) and jerry-buil (shoddy). Why don't you Jerry which one he'd rathe have by his picture? But t you'd lose topicality, woul you? Oh, dear!
JACK OSGOOD
Boston, Mass.

Yes! Virginia

Many thanks to Virginia Postrel for her timely reminder "The Big Pictur Technology = Freedom?" (Aug. 28). In our rapture technology we should still heed the advice of the Lo Mayor of Dublin in 1790 when he said "the conditi upon which God hath giv

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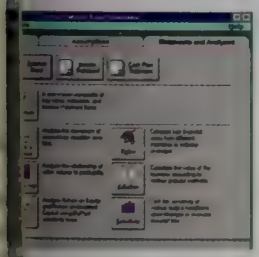

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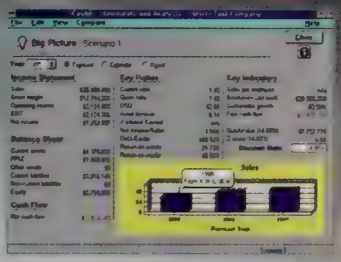

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liberty to man is eternal vigilance."
JACK LANIER
Dana Point, Calif.
jlanier@kaiwan.com

Remember the Little Guy

I'm a big *ASAP* fan. It's the reason I subscribe to *Forbes*. You have done a fantastic job of discussing information systems and high-tech business solutions in a unique way. But in reading your Aug. 28th issue, I was concerned that you are beginning to focus a little too much on the corporate information-systems reader (of which I am not one).

After seeing the cover, I was excited to hear what you had to say about Windows 95. But for a great general-interest story, the article seemed targeted too much to the corporate IS manager. There was very little in the article that was of use to the general business manager and individual PC user. Please don't forget us little guys. You've got a lot to offer.
MARC LAPIDES
Chicago, Ill.
mlapides8@aol.com

Elite Fallacies

I recently finished reading "Mores: Not So Hot Potatoes" by Owen Edwards and "Telecosm: The Coming Software Shift" by George Gilder, in your Aug. 28 issue. As far as I am concerned, Mr. Edwards is getting real, but even he still misses some major points.

1. Just because it is on the Internet does not make it true or real.

A noted scientist who has used the Internet for several years recently commented that the "Net" is becoming so congested with traffic and garbage from nutcases that he has begun to use the telephone and the U.S. Postal Service again. At least he knows that his messages are received and that they are really private. He does not have to waste [time] waiting. And he also knows that the information he receives has not been tampered with by some weirdo.

2. It is unclear to me w I should have to maneuver through the Internet when can easily dial the bulletin boards directly or one of tl commercial databases direc ly. Why waste my time an money? I have zero interes in letting anyone have dire access to the models or da that I use.

I wonder how many co panies really are interested letting hackers and/or com petitors invade their books their customer databases through the Internet. And such an invasion is quite p sible unless steps are taken isolate the computers tied into the Internet.

Unquestionably, there some uses for the Internet, but I think that those uses must be very well thought out and researched lest the problems overshadow the value of the uses.

3. Mr. Edwards alludes the "interpassives" as thou anyone who has little inter in "getting on the Net" m be dumb, lazy or out of touch.

Frankly, I do not give damn about computing aft I leave the office. I'd rathe read or fish or hunt or wa or write or shop in real stores or sightsee or eat o And I find real friends stir lating.
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MANAGING THE MONSTER

Fostering interorganization competition without creating Darwinian disaster is a true test of leadership. Beware, the failure rate is high. By Bill Walsh

One of the greatest management challenges of this or any other century was the Manhattan Project, that vast endeavor to produce the atomic bomb. Whatever one thinks of the final result, the plishment of harnessing and focusing a huge number ented, temperamental, single-minded scientists and eers represents a marvel of leadership.

neral Leslie Groves, who ran the project, was known s willingness to let ideas succeed or fail on their merit than on his own managerial instincts. Though he little about the sciences and technologies required to ruct the bomb, he had the sense to recognize that wasn't necessarily a single best way to get from zero ound zero. If two or three groups of experts came to ith competing theories, he often gave everyone a go-, then stood back to see which method worked best making his final decision. Thus, the formidable out- of the project can be seen as the result of a fierce gerial Darwinism.

course, Gen. Groves had certain luxuries that few gers and entrepreneurs—or football coaches—enjoy: a ly unlimited budget, 200,000 or so employees, patri- rgency and absolute authority. What he didn't have me: A war was raging, and the Germans were work- their own bomb. But even in much smaller organi- s, where granting a couple of competing groups carte ne is an indulgence, the advantages of intramural le can be too good to resist. Managing this competi- however, may be like controlling fission—if it gets out d, you'll wish you'd never let it get started.

any competition, someone wins and someone loses. If ocess can be coolly evaluated (filtering out personality owmanship), the fittest idea will survive. But knowing evaluate ideas can be critical to overall success, espe- if this evaluation is shared with everyone involved. isn't a given approach right? What does its failure te about future directions? Are there elements in a approach that can be used to improve a competing How can the dynamic of intraoffice competition hone or competing in the marketplace?

If handled right, internecine struggle can pay off for winners and losers alike. People's evaluation skills are honed, and the act of analyzing what worked and what didn't stimulates introspection that refines future planning. But handling the situation badly, or pitting one talent against another in order to blunt upward ambition (an infamous tactic for holding onto power), can wreak havoc. Almost everyone has worked in an organization where factional battle lines are clearly drawn and the contest for survival brings corporate momentum to a grinding halt.

When people feel vulnerable—because individuals rather than ideas or plans are put into competition—a ruthlessness can overwhelm the process. I've seen a fistfight between two assistant coaches with competing viewpoints whose rivalry wasn't monitored and controlled by a head coach. Typically, coaching staffs are made up of aggressive people, just like the top talent at hard-charging companies. If you let them clash, even for the best reasons, damage control is key to intelligent leadership. You have to be alert to signs that things are getting reckless or you'll have one sort of fistfight or another. Is a person behaving unusually? Are people being less responsive to each other than they ought to be? Is the team dynamic giving way to rivalry for its own sake?

Maximum results can't be achieved simply by throwing people against each other; a kind of choreography is called for. A leader has to let them know that their pet ideas are in competition, but that their job survival doesn't depend on winning or losing. (Sometimes this may actually be the case, but don't count on the best results coming out of this dog-eat-dog scenario.) If people suspect they might be scapegoated, back stabbing and showboating will crowd out honest effort. When there's a bomb to be built—or a company to be launched—the best people are going to cross-circuit each other. As Gen. Groves proved, that kind of freethinking free-for-all can reap tremendous benefits. But when you put your staff to the test, you have to be prepared to pass the test of true leadership yourself. If you don't keep yourself actively involved, a fistfight or two may be the least of your worries. ■

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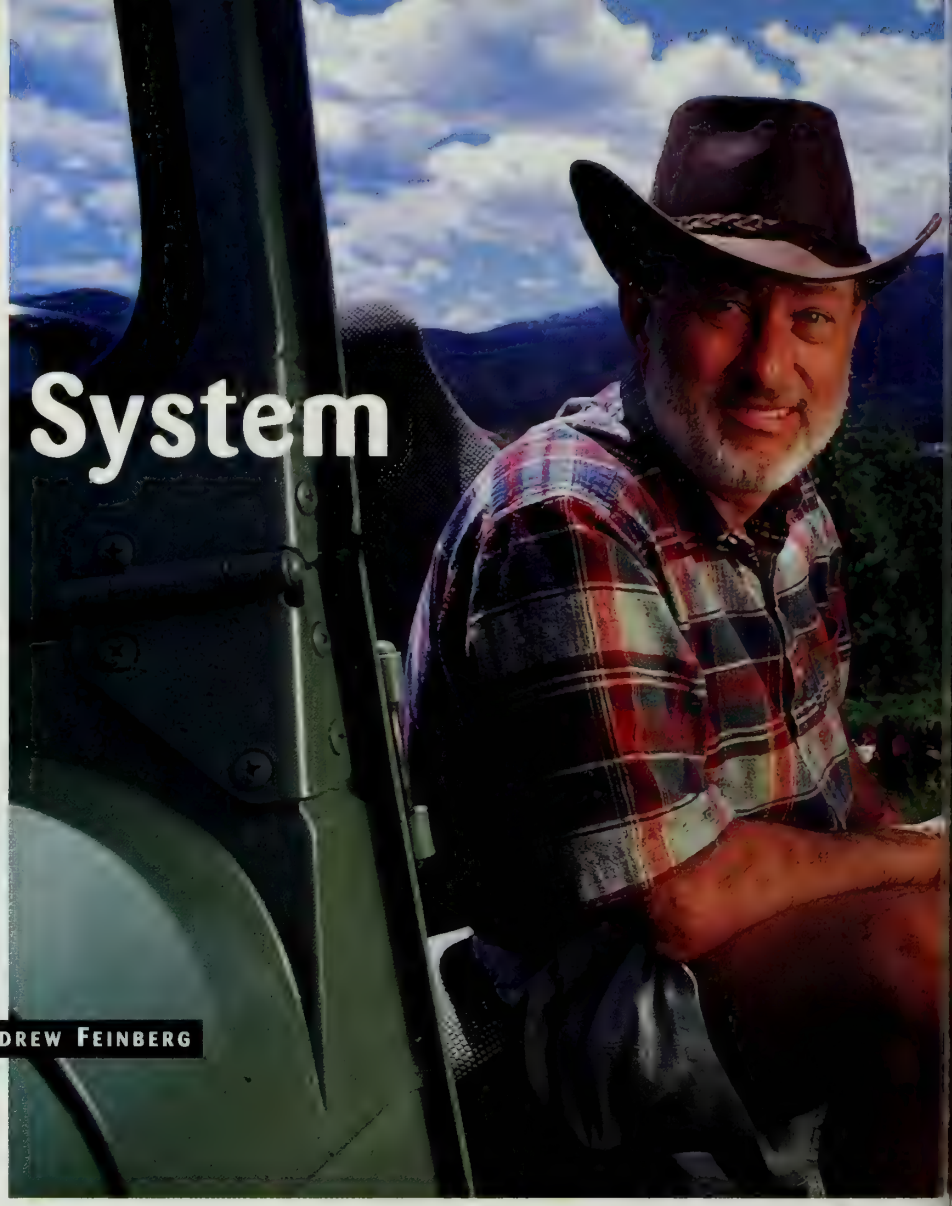


By Andrew Feinberg

Today, Bernie Zurbriggen, 52, is a tanned, vigorous 5-foot-8, 158-pound dynamo. He lives full time in Frisco, Colo., a short drive from the ski resorts of Keystone, Breckenridge, Copper Mountain and Arapahoe Basin, and just 25 miles from Vail, where he skis up to 100 days a year, snowboards, hikes and runs.

Thirteen years ago, however, at 39, Zurbriggen was on the fast track to death. Then a telecom executive with Contel/Executone in Dallas, he was 33 pounds heavier, a sedentary workaholic who smoked 2 1/2 packs a day and relaxed by cramming his arteries with cholesterol-rich expense-account restaurant food.

One Friday in October 1982 doctors hospitalized Zurbriggen after he complained of chest pains and flunked a stress test. The following Monday, while undergoing more testing, he had a serious heart episode. The next day he smoked his last cigarette. A day later, Zurbriggen had an emergency quadruple bypass.

While recovering, he thought about the early deaths of his mother, at 52, and father, at 59. "My dad worked his whole life, and then he died," he says. "This seemed a reminder to enjoy life while you still can."

But not the same life. Zurbriggen changed his diet, began exercising and fought stress with biofeedback. In 1987, he quit his increasingly unsatisfying job and started U.S. Trans Comm.

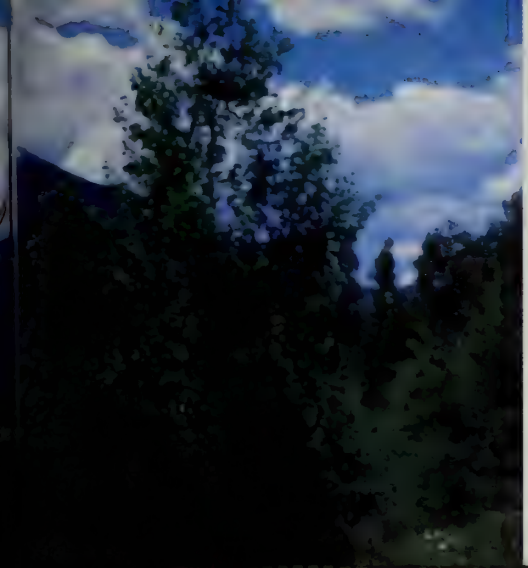
Initially, the company was a master distributor for International Telecharge, a business offering an alternative operator-assisted long-distance service to the standard phone companies. His mission was to find customers such as hotels and private pay phone companies that would let International Telecharge provide the operator-assisted long-distance calling in exchange for a commission on calls generated.

WINNING ALTITUDE: *Born-again Coloradan Bernie Zurbriggen, with wife Bo and one granddaughter.*

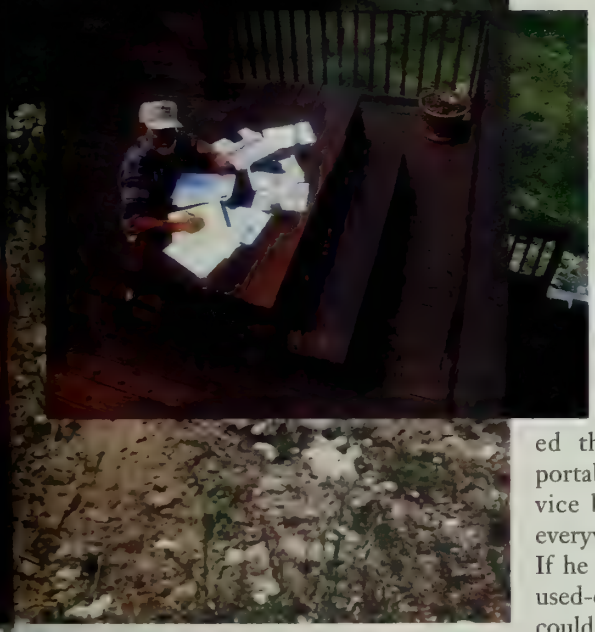
In 1989, Zurbriggen shifted direction by creating The Used Car Price Line, a way to price used cars [illegible] 900 number (or an 800-numbe[illegible] vice in areas where phone comp[illegible] block 900 numbers). As the bu[illegible] took off, Zurbriggen and his wif[illegible] agreed on the final phase of thei[illegible] enhancement [illegible] gram. They'd [illegible] to Colorado.

At first, Bo [illegible] big on the move [illegible] told her hus[illegible] she'd give it a [illegible] "But I was h[illegible] after six months [illegible] says. "We do [illegible] socializing here [illegible] in Dallas. I do [illegible] they had more [illegible] ping, though. I don't share Be[illegible] view that 'if Wal-Mart doesn't h[illegible] we don't need it.'"

When they decided to mov[illegible]



After a brush with death, Bernie Zurbriggen left the executive life for a small town in Colorado, where he supplies nationwide clients with up-to-the-minute used-car prices—and gets to ski 100 days a year. Is he in Heaven, or what?



iggens already had one foot out oor, having purchased a duplex in (population 2,000, which douuring peak ski season) in 1987. is an old mining town with a ctly Western feel. The buildings nine-block-long Main Street are made of wood, with none highn three stories.

e move was gradual. Each year, pent more time in the Rockies. n I founded U.S. Trans Comm," urbriggen, "it was in the back of nd that I might want to relocate orado."

e reason: Zurbriggen didn't take ing until he was 39, but he fell in love with the sport. Now ert, he thinks genes may be partonsible. He is part Swiss (the grandfather Zurbriggen part), at's his strongest ethnic identity. istant relative, Pirmin Zurbriggen, a member of the Swiss ski team, won the gold medal in the men's downhill at the 1988 Winter Olympics.

As he contemplated his escape from Dallas, Bernie Zurbriggen created the ultimate transportable company, a service business that exists everywhere and nowhere. If he wanted to live on a used-car lot in Guam, he could (though why might be a question for a psychiatrist).

Calls to U.S. Trans Comm are answered by Ideal Dial, a Denver computer-based service bureau. Consumers get very clear and extensive "voiceware" to pinpoint a car's value. The price line is promoted in house ads run by Zurbriggen's partners (*USA Today*, the San Francisco Newspaper Agency and *Consumers Digest*) for whom he private-labels the service.

Besides the traditional print price guides, Zurbriggen knows of one competing 900 number: *Consumer Reports* Used Car Price Service, which receives up to 225,000 calls per year. Zurbriggen claims his service does a better job than this rival, particularly when it comes to fine-tuning a vehicle's value based on its optional equipment and the region's used-car prices.

Zurbriggen gets his basic data from the *Kelley Blue Book*, paying a royalty on each phone call he receives. He uses some information Kelley doesn't include in its guidebook (such as vehicle condition, and the retail as opposed to wholesale value of options).

Ideal Dial writes the software code for the price line and Zurbriggen helps debug it. The entire price file is updated every 60 days. Quoted prices are generally 5% to 15% lower than Kelley's (that's because what Kelley calls retail prices are actually asking prices). But how can you make money disseminating information that people can get free from the library or from lenders? "First, the information is better," answers Zurbriggen. "Second, the guidebooks are tough to read. Third, many lenders no longer want their employees spending time giving out price quotes."

A typical caller pays $1.95 a minute and spends four to five minutes on the phone. Most customers call because of the service's convenience, while others have totaled their cars and need an up-to-date valuation for insurance purposes. In fiscal 1995, U.S. Trans Comm received 35,000 calls.

Zurbriggen is a walking contradiction. He has spent almost his entire working life in telecommunications, starting as a warehouseman, and then a salesman in the marketing department, for Southwestern Bell. He later

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held marketing, sales and management positions at Itek, Information Dynamics, Telecommunications Systems of America, Northern Telecom and Contel/Executone. Eventually he became the president of Executone Systems.

In his 2,800-square-foot, cathedral-ceilinged, $300,000 cedar home, you get the sense of a telecom obsession. There are 10 phones, one in every room—including a bathroom. So his home office comes as a shock. It has a spectacular view of Buffalo Mountain and the Continental Divide, but it looks like a technology museum, with its IBM 286 PC, an old red IBM Selectric typewriter and a 12-year-old Minolta copier. Is there an abacus lurking somewhere?

His office in the Summit County Chamber of Commerce Guest Referral Center is more with-it, although it, too, contains a techno-relic, a 10-year-old Data Plus automatic call distributor [see box below]. The center is now part of his new career. With a grant from the Colorado Advanced Technology Institute, Zurbriggen established the center to book lodging and recreation activities for visitors. He created the center's computer network, maintains the system, and has also developed a home page for Summit County on the World Wide Web.

For his efforts, Zurbriggen gets a small percentage of the center's bookings, which came to $1.2 mi in its first year.

In 1991 he also created a long tance, bulk-buying service for county's Chamber of Commerce m bers. This year he added bulk bu for members who want to set up h pages on the Internet. In both cas percentage of the savings flow to organization, and Zurbriggen then a small piece of that percentage.

Zurbriggen serves on the Sum County Planning Commission, Frisco Planning Commission, the orado Rural Development Council the Summit County Chamber of C merce (he served as chairman o Economic Development Comm for four years). The Summit Co Chamber of Commerce voted hi "Man of the Year" for 1994.

Wait, we're not done. He's als executive director of the county's ter Business Bureau and chairm the Summit County Rotary Club ternational Youth Exchange Progr Clearly, Zurbriggen is still a certi type A personality. But his hyper ity is now working for him rather against him. For one thing, he se wife much more. Bo helps him his businesses and is now the secre treasurer of U.S. Trans Comm Colorado's many offerings for fan jocks provide Zurbriggen with a s valve he seldom had before.

The move to Frisco has only one major drawback. briggen makes about $60,0 year on gross revenue $400,000. At his last corporat Zurbriggen took home $130 plus stock options. He expec income to grow as he adds services: alliances with new price guides (two went into effe July); a fax-back response capability a Spanish-language version. In 199 predicts call volume to rise 43 71%, up to 50,000 to 60,000 calls.

Zurbriggen believes that fat played a role in bringing him to orado, the place he thinks he w ways meant to be. "My heart scar absolutely a good thing," he "Hundreds of thousands of people ply drop dead from what I had. I second chance to live."

Tire-kicking Tech

Home Office—286 IBM PC; old IBM Selectric typewriter (a noble but quaint machine once widely used to process words); an Epson Stylus 800 printer; and a 12-year-old Minolta copier. Ten phones; three separate lines. • Summit County Referral Center office—Voice-processing and call-distribution system: a Compaq ProSignia 1050 server with 1.05-gigabyte hard drive, six Compaq 486 workstations, Dialogic voice boards, a Novell local area network (LAN), a 10-year-old Data Plus automatic call distributor and Telepro voice- and fax-processing software. Printer: Hewlett-Packard LaserJet 4L.

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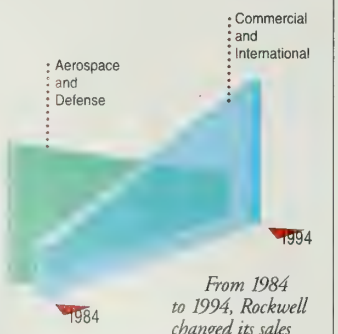

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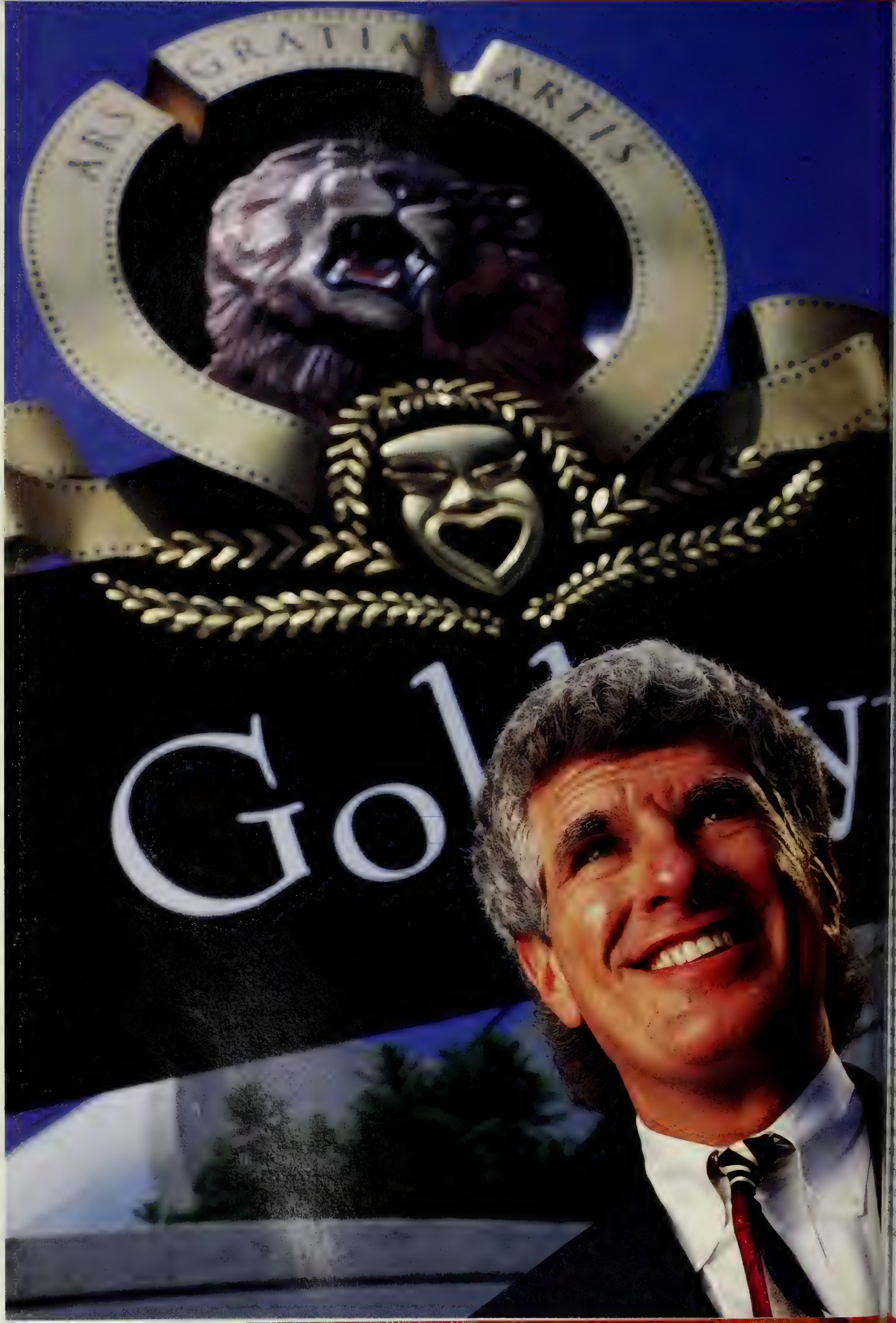

ARS GRATIA ARTIS

IN THE LION'S DEN

laced with a 1997 buyout, MGM's

d Altman races to re-engineer a

once-proud Hollywood studio.

By James Daly

e wall of Ed Altman's office at Goldwyn-Mayer's headquarters bleached Santa Monica, Calif., splashy poster advertising *Thel- d Louise*, the studio's Oscar- g road flick about two women ed a life of quiet predictability ild ride into the future.

an knows the feeling.

years ago, the 48-year-old, bronzed executive was across archrival Paramount, where his assignment was building a data- r corporate number jugglers. he's heading the largest infor- systems overhaul in Holly- and playing the lead role in United Artists's bid to shake off f calcification and once again a major international theatri- ertainment and video produc- tribution company. "The plan ove MGM from the 1970s to 0s in a very swift and efficient " says Altman.

e's little time to lose. MGM's company, the $325 billion megabank Crédit Lyonnais, sell the studio within two ltman's success—or failure—in the 71-year-old studio's vener- vie, TV and video library into revenue stream could mean erence of tens of millions of n the final sales price.

sale of MGM is not just an- se of a foreign company with stars in its eyes taking a beating on a risky Hollywood movie studio and turning tail. In November 1990, Italian filmmaker Giancarlo Paretti's Pathé Communications secured an $800 million loan from Crédit Lyonnais's Dutch subsidiary, CL Bank Nederland, to acquire MGM. After Paretti's highly leveraged studio was put into bankruptcy in mid-1991, Crédit Lyonnais, one of Europe's largest banks, assumed ownership of the company. But American banking laws prohibit financial institutions from owning equity in nonbank companies, so Crédit Lyonnais was given two years to sell MGM. It has successfully applied for the maximum of three one-year extensions, giving it until mid-1997 to find a buyer.

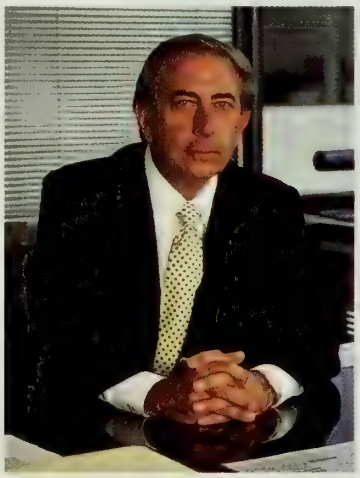
While assessing the state of its newly inherited studio property, Crédit Lyonnais officials soon discovered that the once-noble lion was all but declawed. "MGM had been severely hit by management and ownership instability for a long, long time," says Fred Spar, a New York-based spokesman for Crédit Lyonnais. The deconstruction of MGM began in the early 1970s, when it sold its overseas movie theaters. A treasure trove of costumes, props and vintage cars went during 18 day-long auctions. In 1986, Ted Turner bought a big chunk of MGM's film library (although MGM retained home video licensing rights) and formed Turner Network Television to air the films, many in colorized versions criticized by purists. The sale to Turner was, in the words of former MGM Senior Vice-President Peter Bart, "akin to a once-proud dowager selling off her furnishings to pay the rent."

What Crédit Lyonnais inherited was a badly crippled asset that needed serious rehab if the French bank was going to get back anywhere near what it had loaned to Pathé. "We realized right away that we needed to rebuild MGM to its full production and distribution capability if we were going to maximize its value," Spar says. MGM hired legendary superagent and Creative Artists Agency head Mike Ovitz as a consultant. The former head of Paramount Pictures, Frank Mancuso, was brought in as chairman and he soon began an effort to revitalize the company's movie-production business, accelerating MGM's feature film release schedule from five movies in 1993 to nearly 20 this year.

But anyone who has ever loaded a film magazine into a camera knows it's a risky business. "With a major feature film, it's very easy to lay out $20 million or $30 million before you ever see a nickel back," says Stuart Rossmiller,

who covers the entertainment industry as a senior director at Fitch Investor Services in New York. "And even after you lay out all that money, there's no guarantee that the public wants to see your film."

That's where Altman and his 80-member management of information systems team come in. MGM's ace in the hole is a film and television library that makes cineasts salivate—1,500 titles that garnered more than 80 Academy Awards, including 13 Oscars for Best Picture. The celluloid heroes include *The African Queen*, *Annie Hall*, *One Flew Over the Cuckoo's Nest*, *Rain Man*, *Midnight Cowboy*, *West Side Story*, *Some Like It Hot*, *Rocky*, the James Bond pictures and more than 2,500 hours of television programming, among them classics from the *Outer Limits* to the animated *Pink Panther*.



MGM Chief Frank Mancuso: teaching an old cat new tricks

Television programming licensing fees from these perennial favorites could give MGM a stable—and sizable—annuity stream despite the mercurial nature of the film business. "The motion picture industry is not like selling nails or cars or PCs," Altman says. "Once we have a movie in the can we then sell it over and over and over."

If you know what you have to sell. Trouble was, MGM's salespeople didn't. The company had expanded and contracted in a series of fits and starts over the past 25 years, and its film library database had grown organically—one database on a PC, another on an old IBM mainframe. Like most things organic, it became a tangled mess. By the time Altman took control, information was spread over 23 databases, from spreadsheets the size of phone books to PCs, file servers, a mainframe and minicomputers. "The salesmen couldn't tell what movies we had or where they were available," says Altman of the library, which is the largest post-World War II catalog owned by any studio. "It's tough to make money out of a back catalog when you're not even sure what's in it."

In January, Altman began untangling the knot. The complexity of managing a film library is enormous, as it involves constantly updating information on multiple sales territories around the world, with overlapping broadcast areas in various languages, as well as different license fees for free TV, pay TV, pay-per-view and cable.

Altman's first job was to dissect the databases, weed out overlap, and consolidate the information onto an IBM AS/400. By April, MGM had teamed with Arthur Andersen Business Consulting to create STARS (Sales Tracking and Rights System), a central film database using a Windows interface and Sybase technology.

The client/server design of STARS caused a furor right away. Two of Altman's direct reports left soon after getting wind of the STARS system, believing its open nature would infringe on their informational fiefdoms. "We have to work with the users as a partner," Altman says. "Some managers don't like that. They like people coming to us rather than putting information on their desks."

> *"The motion picture industry is not like selling nails or cars or PCs. Once we have a movie in the can we then sell it over and over and over."*

Altman brought in his own management team, which linked MGM's worldwide offices using the cc:Mail package from Lotus Development. The team also standardized on new Compaq 486 PCs and created one of Hollywood's first World Wide Web pages (http://www. mgmua.comMGM).

This fall, 21 members of the s force (10 domestic, 11 internati will brandish $7,500 IBM Thin portable computers, packing the c ful STARS database and Micro Office. On-board modems allow to STARS from anywhere in world, providing licensing info an ports on the status of what's ava in MGM's film and television libr

Each portable also has a bu CD-ROM drive, and salespeopl given a three-disk set of 60 short from MGM's back catalog—every from *The Young Riders* to *The Duke Show*. "We wanted to mov sale from being purely a business to an emotional one," Altman say title on a page can't compete w great film clip." An MGM salesp in Paris, for instance, can pr scenes from the perfect bicycle r to show during the Tour de Fr Another in Rome might try to local TV station to broadcast a Sophia Loren picture. "It's all clic play," Altman says. "We want to this as low-tech as possible. We want to scare anyone off."

Once a deal is struck, the sale son generates an electronic con plugs the modem into a phon and shoots the information ba MGM headquarters via cc:Mail f view. After it's approved, a deal r goes to the client, and both the person's laptop central database updated. No telephone tag.

But there's no lywood ending The rollout of S is six months b schedule, and MGM managem said to be increasingly concerned the project. Early reviews on the s of STARS won't come in until la tumn, when the salespeople worked it into their routine. "Th to be done, whether we were go be sold or not," Altman says. "Re ing and retooling is one of the pe al challenges of MIS. It just ha that this time I get to rebuild one world's best-known logos."

If Altman gets this one righ lion might just roar again.

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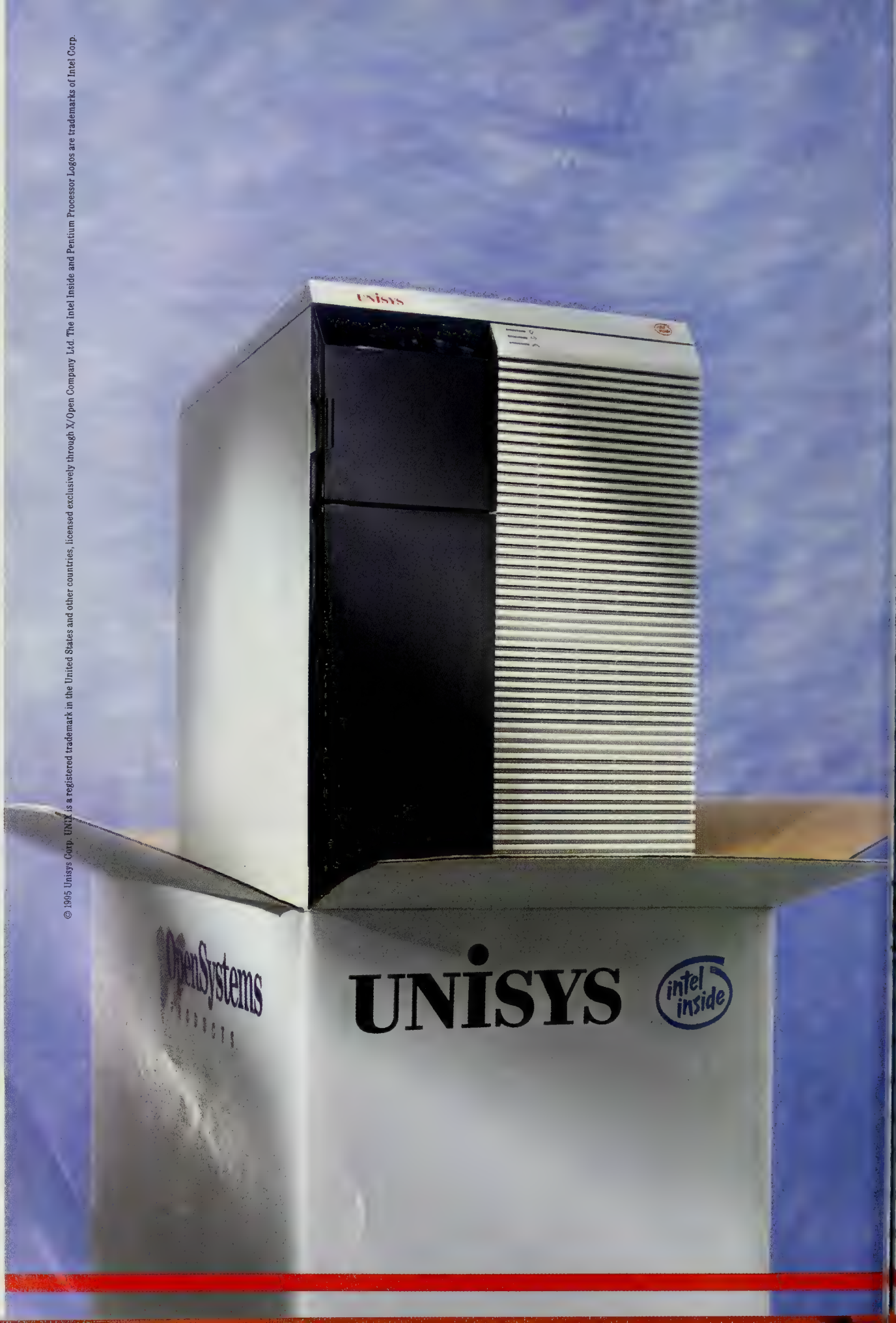

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BY PETER ROBINSON

What does a band of former White House speechwriters do when they finished putting words in the chief's mouth? They head for the go rich hills of high technology to give CEOs that presidential sou

DRIVING HOME FROM THE OFFICE under a California sky that has turned purple with dusk, I tune the radio to the BBC World Service. An announcer tells of the visit to the U.S. of a foreign business leader. Before a large audience, the businessman talks movingly of the need for greater economic and political freedom in his hemisphere.

Later, I ask Clark S. Judge, the managing director of the White House Writers Group, located in Washington, D.C., if they had anything to do with the speech. "Sure did," Judge answers. "Josh wrote it. In Germany."

"So the speech was written in Germany, edited in Washington, okayed in the Far East, delivered in the United States and broadcast from London?"

"Right," Judge says. "The White House Writers Group has mastered the technological bank shot."

WORD PERFECTERS: *Robert Bork Jr. (left) and Clark Judge speak softly but carry a big shtick as they parlay their experience into a tidy business crafting prose for tongue-tied businesspeople.*

CLARK JUDGE FOUNDED THE WHITE House Writers Group in January 1993. At the time, he was frustrated. After serving as a White House speechwriter during the 1980s for Vice-President George Bush and President Ronald Reagan, Judge had gone into business on his own, providing communications advice to business clients. Judge, who holds a Harvard M.B.A., had prospered, earning well into six figures in each of the three years after he left the White House in 1989. But running a one-man operation had proved lonely and worrisome.

"The psychological burden of being on your own is heavier than you might think," Judge says. "I had plenty of human contact, but no true leagues." Judge handled as mar five clients at a time, but he fr about replacing each after his work for the was finished. "Every things got slow, I w start working the ph and tracking down l New clients always ca me, but there was al the quality of a magic about it. Could I pull next time?"

Judge decided to la a new firm, one that provide him with leagues and permit h build a broad bas clients. Drawing tog four other writers fro Reagan and Bush adm trations, of which one, Judge founde White House W Group. Judge hoped the writers in the would work togethe single set of offic Washington. Soon, h er, two of the writers moved to York, and not long after that, a moved to California. Only Judg Robert Bork Jr., who had w speeches for Carla Hills, Pres Bush's United States trade rep tative, remained in Washington.

Now Judge faced a second fr ing situation. Forced to make

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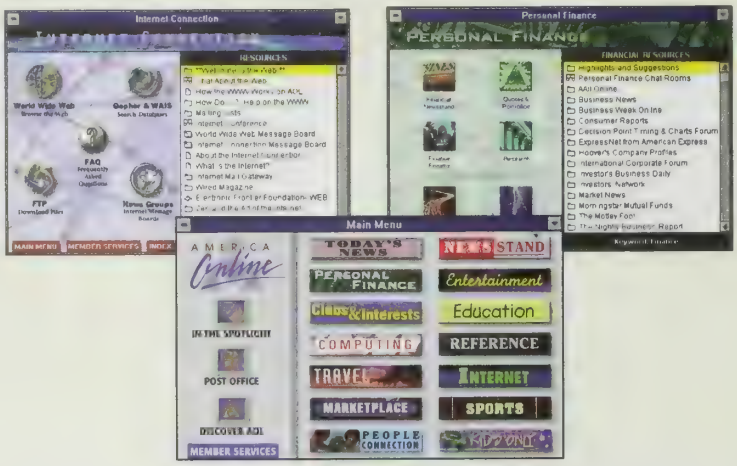
Lincoln Millstein, The Boston Globe, June 15, 1995



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e use of fax machines and e-mail to ordinate the efforts of writers who re now scattered across the country, dge discovered, almost inadvertly, the merits of a virtual firm. dge and Bork began using on-line earch services, using e-mail to keep touch with their clients, and signing new writers in places as far-flung as llywood. Today the White use Writers Group draws on writers and serves more than dozen clients. In its first r, the White House Writers oup billed somewhat more n $600,000; now in its third r, the group expects to bill rly $2.5 million.

The group keeps mum ut its clients, but most are usiness, not politics. They in the group for help in one hree categories, which Judge cribes as "growth, turnund and combat."

Growth clients are scramg to expand their market re. They hire the White ters Group to provide speeches, les and books, which serve essen y as selling documents. One recent wth client, a major financial ser s firm, wanted to expand its busi e among institutional investors. It duled several of its partners to k at conferences that would be at ed by hundreds of managers of in tional portfolios. Then it hired group to help those partners draft speeches.

Turnaround clients are usually new agement teams faced with an ur need to win over key constituen s such as employees, investors and ysts. One turnaround client, the management of one of the na s biggest transportation compa was charged with running the pany after it had changed owners. new management crisscrossed the try, seeking to reassure employees investors. It hired the White se Writers Group to draft and re ts message.

ombat clients are companies that, ng their way through the business e, stumble into a war zone. They the group because the hostilities also involve politics or the law. These clients engage the resources of the White House Writers Group the most fully, permitting the group to provide written material, craft advertising, and devise and execute political strategies, often to influence public opinion in particular states or congressional districts. Combat clients are also the most fun. "We're like ninjas," Bork says. "Once we're hired, we attack."

STANDING ORATION: *While their former bosses may have been more famous, clients of the White House Writers Group pay better—between $4,000 and $12,000 per speech.*

Paul Cappuccio, a partner in the Washington office of the law firm Kirkland & Ellis, sometimes calls on the group when a client has a public policy law issue. "Oftentimes getting your message through to the relevant government agency involves getting your issue debated in public," Cappuccio says. "The White House Writers Group gets journalists to pay attention."

ONE FORMER COMBAT CLIENT IS U.S. Sugar, the country's biggest producer of sugar from sugar cane. In operation since 1928, the company cultivates 175,000 acres in south Florida. U.S. Sugar's troubles began in the late 1980s. A U.S. attorney sued Florida, seeking to force the state to impose on sugar growers a standard for runoff water of no more than 10 parts of phosphorus per billion—making the runoff water four times cleaner than rain. Florida resisted, and U.S. Sugar filed a brief in support of the state. The attorney responded by sending the FBI to raid one of U.S. Sugar's mills, hoping to find violations of the Clean Water Act of 1977. None was found. Next the attorney slapped U.S. Sugar with a subpoena, instructing the company to produce records of the purchase and disposition of every chemical substance the company had used during the past decade, down to cans of WD-40 lubricating oil, according to Senior Vice-President Robert Buker. The attorney found three violations of the Resource Conservation and Recovery Act and brought suit.

U.S. Sugar's trouble did not stop with the environment. "I'm a pilot," says Buker, "and I know that in any crash what usually kills the pilot is what they call 'layered error.' Our layered problem was labor."

Each year, U.S. Sugar employed more than 3,000 Jamaicans to cut its cane. The company was unable to hire enough Americans to do the job, in part because cutting cane is difficult, dangerous work, but chiefly because the harvesting season is only five months long. "American agricultural workers," Buker explains, "extend their working year by changing from crop to crop. With cane you can't do that. There's no contracyclical crop." Earning more than $9 an hour, the Jamaican cutters were able to make four times the average Jamaican annual income. At the end of five months, they went home. Yet Florida Rural Legal Services, which receives its funding from federal and state governments, sued U.S. Sugar for violations of federal labor standards.

The company sought professional help. Clark Judge of the White House Writers Group spent much of the following 24 months commuting from Washington to south Florida.

"I moved half our operations with me," Judge says. Using his laptop and fax modem, Judge kept in touch with his writers, conducted research on Nexis and other on-line services, and continued to write for clients, in one instance leaving a meeting in south Florida only to return to his hotel, plug in his computer and fax a speech to a client in Boston. To help with research and press relations for the U.S.

Sugar account, Judge moved his assistant from Washington to south Florida for several months. By fax, the assistant was able to continue one of his most important jobs, keeping the group's books.

To change public perceptions of U.S. Sugar, Judge advised President and Chief Executive Officer J. Nelson Fairbanks to open the company's labor practices to complete, unfettered media coverage and activist scrutiny. U.S. Sugar announced "Open Harvest" through which it granted the media access to the cane fields and to workers' quarters, permitting reporters to interview cutters either after work or in the fields.

Within weeks, the media presented the company as a fair and open-minded employer. Within a year, U.S. Sugar negotiated an agreement that became known as "labor peace" with Florida Rural Legal Services.

When U.S. Sugar decided to plead guilty to violations of the Resource Conservation and Recovery Act, Judge advised Fairbanks to take the entire U.S. Sugar management team into court to make the plea. Fairbanks did so. Media organizations throughout south Florida covered the story. Judge and his associates drafted statements to the press that followed a simple theme: U.S. Sugar had made mistakes; the mistakes had been unintentional and wouldn't happen again.

Then Judge advised U.S. Sugar to enter the public debate on environmental policy, helping draft the company's "Environmental Peace Plan." The plan called for a clear distinction between private and public environmental responsibilities, insisting that U.S. Sugar and other growers should be held accountable for cleaning up only minerals that they had introduced into runoff water. The plan argued that growers should be given flexibility in deciding which cleanup techniques they would use. And the plan proposed the creation of tradable clean water credits similar to the tradable credits in the 1990 Amendments to the Clean Air Act. Two years later, after intense negotiations, U.S. Sugar's plan served as the basis for the comprehensive federal, state and industry Everglades settlement now written into Florida law.

If the story of U.S. Sugar demonstrates the ability of the White House Writers Group to devise long-term strategy, the story of a more recent combat client demonstrates the group's aptitude for rapid tactical maneuver. The client, a coalition of business groups interested in advancing a central clause in the "Contract with America," hired the White House Writers Group last January, just as the new Republican-controlled Congress was about to convene.

"Our product is still the old-fashioned written word," says Clark Judge. "But technology makes it possible to tap global talent and global clients."

During the first 100 days of the new Congress, the group put writers in Maryland, Virginia, Tennessee, California and one in Germany to work on the project. The group created more than 250 written products, including op-eds, press releases, briefing materials and radio copy. White House Writers Group pieces appeared in the *Washington Post* and *Los Angeles Times*. For one crucial moment—the floor debate on the legislation in the House—the group created a radio spot, which was broadcast by 533 radio stations to 4.7 million listeners.

The White House Writers Group, Judge contends, has transformed what would otherwise be a group of isolated freelancers into a first-rate professional services team. The writers' income can be substantial. This year, half a dozen of the group's 20 writers will clear more than $50,000. Another half dozen will clear more than $100,000. "The group gives the writers the freedom to try projects they might otherwise not be able to take on," Judge says. "Look at Josh." For seven months this year, Joshua Gilder, who wrote President Reagan's address for Moscow State University in 1988, supported himself in Dresden, Germany, on earnings from the White House Writers Group. He moved there a falling in love with a German wor whom he recently married. A months ago, the newlyweds move Washington, where Gilder contir to work for the group and is writi novel.

Judge is circumspect in his ch of writers for the group. "I don't v full-time speechwriters," Judge say want people involved in work that permit them to bring a broad pers tive to bear on our clie problems." One frequent c tributor, Anthony Dolan, served as Reagan's cl speechwriter and was the thor of the "evil emp speech, is writing a book the former president's fore policy. Doug Gamble, a com writer in Manhattan Beach, Ca provided Presidents Reagan and B with much of their humor, and is rently writing for one of the politic seeking the Republican nominati Mark Davis, who wrote speeches Reagan Cabinet secretaries and t served as a speechwriter for Presic Bush, is senior fellow for national sues at the Pacific Research Institut San Francisco think tank.

The way technology permits White House Writers Group to o ate, Judge believes, has implicati for the entire political and media ture of Washington, D.C.

"Compare the Reagan and B speechwriters with Nixon's spee writers," Judge says. To conti reaching a national audience after t left the White House, Nixon spee writers William Safire and Patr Buchanan had to join large organ tions, in Safire's case the *New Y Times* and, in Buchanan's, Trib Media Service, which syndicates newspaper column. Raymond Pric third Nixon speechwriter, chose to main a speechwriter. Price moved New York, where, Judge says, " market area was Manhattan."

By contrast, the Reagan and B speechwriters in the White Ho Writers Group are using technol to achieve a global reach. Th clients come from all over the U and abroad. Their audience

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national, and even, as the BBC broadcast I heard on my car radio illustrates, worldwide. Yet far from finding they need membership in a big organization, they operate with virtually no organization at all.

"You no longer need to be in Washington to be a Washington player," Judge says. Even though he was living in Dresden, Gilder was able to participate in the battle of politics and ideas during the new Congress's first 100 days. This means that Washington now can call on a depth of talent and experience that would have been lost to it before.

In the meantime, Gilder is not a slave to the capital culture. As technology makes our way of working the norm, not the exception, the intellectual stranglehold that Washington has on the national scene will be weakened, then broken.

THE WHITE HOUSE WRITERS GROUP is not for every client. A single speech costs between $4,000 and $12,000. The group's standard practice is to negotiate caps, assuring clients that their bills will not exceed a specified amount, but until the cap is reached the group charges $300 per hour, an amount as high as that charged by all but the most senior partners at major law firms.

The White House Writers Group also has a particular ideological cast. The group's members are, after all, alumni of the Reagan and Bush administrations. They tend to like free markets, profits and technology. They tend to dislike taxes, regulation and anti-business activists. "If you had to sum us up in a sentence," Judge says, "the White House Writers Group is where American business can come to get representation in the court of public opinion."

Made possible by technology, the White House Writers Group intends to return the favor by employing technology more and more. "So far," Judge says, "we've used the technology for research, communications and accounting. Our push in the next year will be to use technology for marketing."

The group recently bought a set of databases from which it has culled the names of hundreds of companies that it sees as possible clients. It will send mailings to these companies over several months. The group has also hired a design shop to prepare a White House Writers Group site on the World Wide Web. Visitors to the site will be able to click on one box to hear an audio description of the group. They will be able to click on other boxes to read excerpts from the speeches that members of the group wrote for Reagan and Bush. An will be able to send the group tions about services and billing.

"Technology is not the be-a end-all of our business," Judge "Our basic product is still th fashioned written word. But tec gy makes it possible for us to tap al talent and global clients—and us more effective along the way I'm counting on technology to h grow."

THE TECHNOLOGY THEY US

The computers and software in the White House Writers Group's Washingt D.C. office amount to a capital outlay of less than $30,000. This year, the gro will bill nearly $2.5 million, a better than eightyfold return on that equipme

	Co
Computers and peripherals	
Macintosh IISi, four	$10,0
Macintosh Quadra 610	1,4
DayStar 33-megahertz accelerator, two	1,5
Accelerator adapters for IISI, two	2
Additional RAM (two sets of 4x2 megabyte SIMMs)	7
Quantum 270-megabyte hard disk, three	5
Supra 14.4 fax modem, four	4
Macintosh keyboard, five	2
RealTech grayscale full-page display, three	1,3
Radius Precision Color Pivot monitor, one	5
PhoneNet connector, eight	1
PowerBook 180, two	5,0
AppleCare insurance for (one) PowerBook	1
IBM-compatible 486DX, 16MB	1,4
Power User CD-ROM drive for IBM-compatible	1
Magnum 14.4 fax modem for IBM-compatible	
Coactive connector for IBM-compatible	1
Printers	
NEC Silentwriter	$1,4
Hewlett-Packard 320 with sheet feeder	3
Software	
Word for Macintosh 5.1	$2
Excel for Macintosh 4.0	2
WordPerfect for Windows 5.1	2
Excel for Windows 5.0	2
ZTerm	
Delrina Fax PRO	
Norton PC Anywhere	2
Connectix RAM Doubler, 4 copies	2
Aldus Touchbase Pro	
CD databases	
Hoover's Master List	$2
Best Business Corporate Listings	
TOTAL OUTLAY	$28,2
On-line services per month (base rate)	
America Online	$9.
CompuServe (two accounts)	17.
NetCom	19.
World Wide Web site	15.
TOTAL MONTHLY COSTS	$61.

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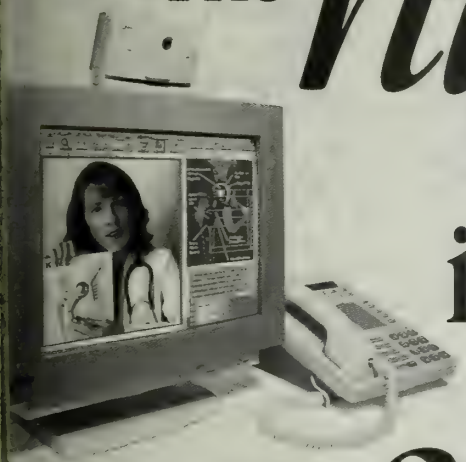

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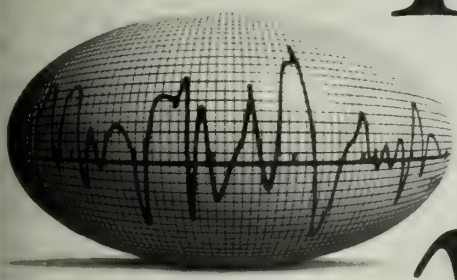

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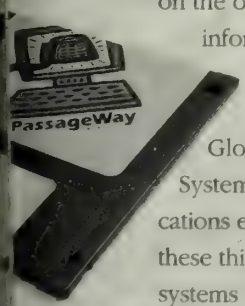

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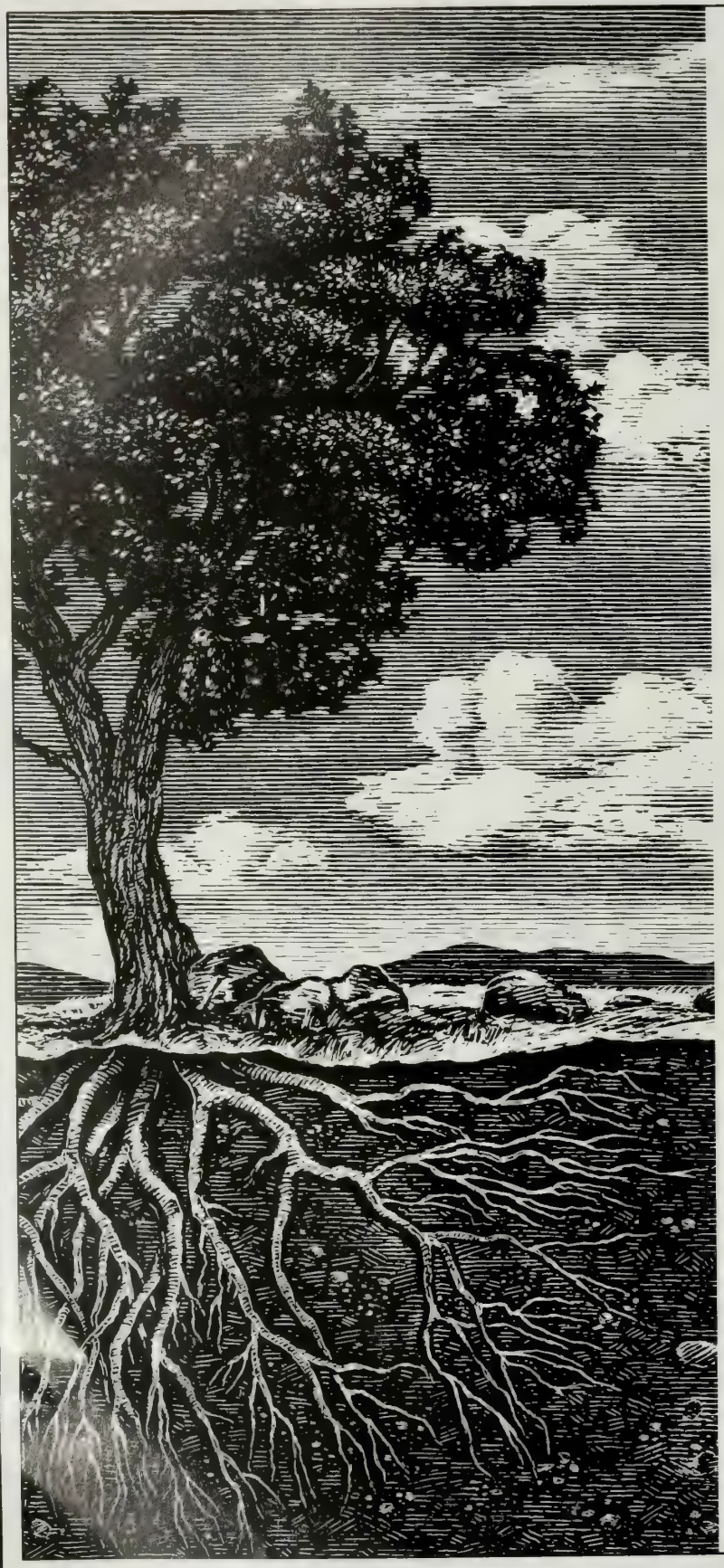

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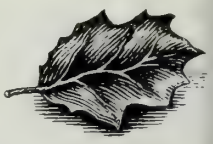

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THE FUTURE OF THE Document

BY GLENN RIFKIN

SINCE THE 1970s, FUTURISTS HAVE TOUTED THE PAPERLESS OFFICE. A CRUEL JOKE THAT WAS. WILL NETWORKED PCs GET US CLOSER THIS TIME?

Paper Versus Vapor

Listen to Anita Ward, director of reengineering at Texas Commerce Bank in Houston, and visions of the long-awaited paperless office dance in your head.

"We had paper files across the bank everywhere," says Ward. "If you lined up our trust files down the road, they would have stretched three to five miles, and that was just in Houston. And with the nature of banking, these records stay forever."

In the trust division alone, Ward discovered that the mainframe-based transaction system produced six copies of every customer account statement whenever a statement was produced. Each copy was placed in a different file and promptly stored in a file cabinet, destined for eternity. The paper files filled 23,700 boxes of archive data and a 42,000-square-foot record center at headquarters. Off-site record centers totaled another 6,000 square feet.

"We began an analysis to try to find the value of each piece of paper," Ward explains. "We asked employees to evaluate the 15 million pages we had generated and told them we'd scan only the 2.8 million with customer value or regulatory requirements into electronic files in an image repository." By asking the employees to determine the value rather than sending them a corporate dictate, they got the message.

She says new processes, driven from the bottom up and supported by an image system, electronic mail, bulletin boards and new document-management and workflow software from Viewstar, "toppled the hierarchy." The focus shifted from staking out turf to adding value to the customer relationship. "Still, the most difficult sell was the elimination of paper," Ward says.

After nearly five years of fighting a corporate culture heavily biased toward paper, Ward has seen a tremendous breakthrough

BACKLOG TO THE FUTURE: *While pursuing the paperless office, Anita Ward (left), of the Texas Commerce Bank, still keeps tabs on 15 million documents. Phil Colbert is similarly awash in text at USAA, which once hired teams of college students to comb through the building at night in search of misplaced files.*

Pam Francis (l and r)

Paper Versus Vapor

in the past year, eliminating millions of pages of wasted paper. She predicts a paperless trust division by next year. Eliminating paper represents a significant part of the $53 million the bank has saved from reengineering.

An anthropologist by training, Ward says the key to the turnaround is not the technology. "The technology was our smallest hurdle to overcome," she says. "The piece that was almost insurmountable was the corporate culture and individual behavior. I notice things within the organization that impede change, and for us, the whole notion of paper, documents, files was part of the hierarchical past where value was associated with paper. If I was a manager, I generated reports. If I was a secretary, I typed them. Positions in the hierarchy were defined by paper."

A DREAM DEFERRED

The Texas Commerce story is repeated across the business landscape as the ubiquitous reengineering frenzy takes dead aim at the paper clogging the arteries and squeezing the productivity of corporate America. Therefore, the 20-year promise of the paperless office, so long a tantalizing vision, must be fast upon us, right?

A plethora of digital technologies—imaging, networks, electronic data interchange, wireless communications, multimedia, groupware, workflow software, inexpensive storage—have finally banded together to undo the havoc wreaked by Chinese court officer Cai Lun, who is credited with inventing paper in A.D. 105.

Papyrus mortis. Right?

Not on your life.

Look at your desk, your office. Look at those mountains rising up alongside the information superhighway, made of paper generated by the very technologies that were supposed to eliminate it. Bill Gates may not allow paper into any of his meetings, but the rest of the world is still drowning in the stuff.

Listen to Dr. Keith T. Davidson, executive director of Xplor International, which represents the electronic ment systems industry. "By 2004, the information on desk will be 30% paper and 70% electronic, compare 90% paper today," he says. "But because the volume of information required by our information-dependent organizations doubles every three to four years, the paperwork will keep growing."

Listen to Walter Jacobs, an engineer installing Lotus Notes groupware for James River's Pennington, Ala., production plant: "Human beings trust the printed word," Jacobs says. "That's something you'll ne away from."

While everyone from Microsoft to America On betting that Jacobs is wrong, the evi remains on his side. "What we've do automating our offices is increase our abi produce paper at a growing rate of mor 25% per year," notes Scott McCready, an at International Data Corp.

In 1990, Alvin Toffler estimated in his *Powershift* that "in one year the United runs out 1.3 trillion documents, suffi according to some calculations, to 'wallpap Grand Canyon 107 times. All but 5% of still stored on paper." By now the num documents has increased to 4 trillion, acc to BIS Strategic Decisions, a market resear consulting firm in Norwell, Mass., that f on information technology.

Where is all this paper going? Annual s file cabinets leaped 29% between 1991 an and dollar volume inched up from $1.3 bil 1993 to $1.4 billion in 1994, according to the Busine Institutional Furniture Manufacturers' Association in Rapids, Mich.

Paper, Cai Lun's brilliant invention of A.D.105, now clogs corporate arteries, squeezing productivity.

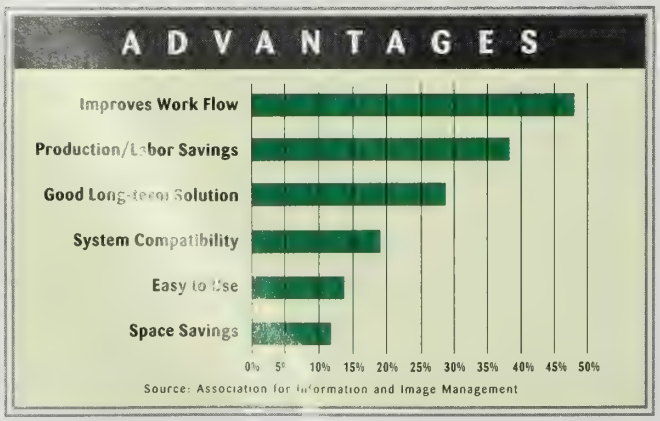
INPUT/SCAN

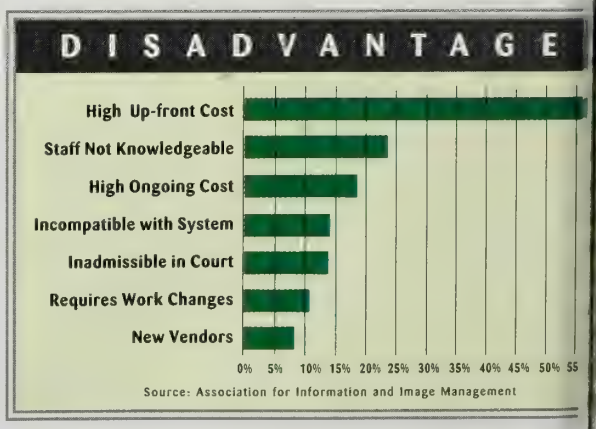
CURRENT LIMITATIONS
Lack of optical character recogni accuracy; inability to distinguish from another; lack of automated control (flagging documents that scanning accuracy parameters).

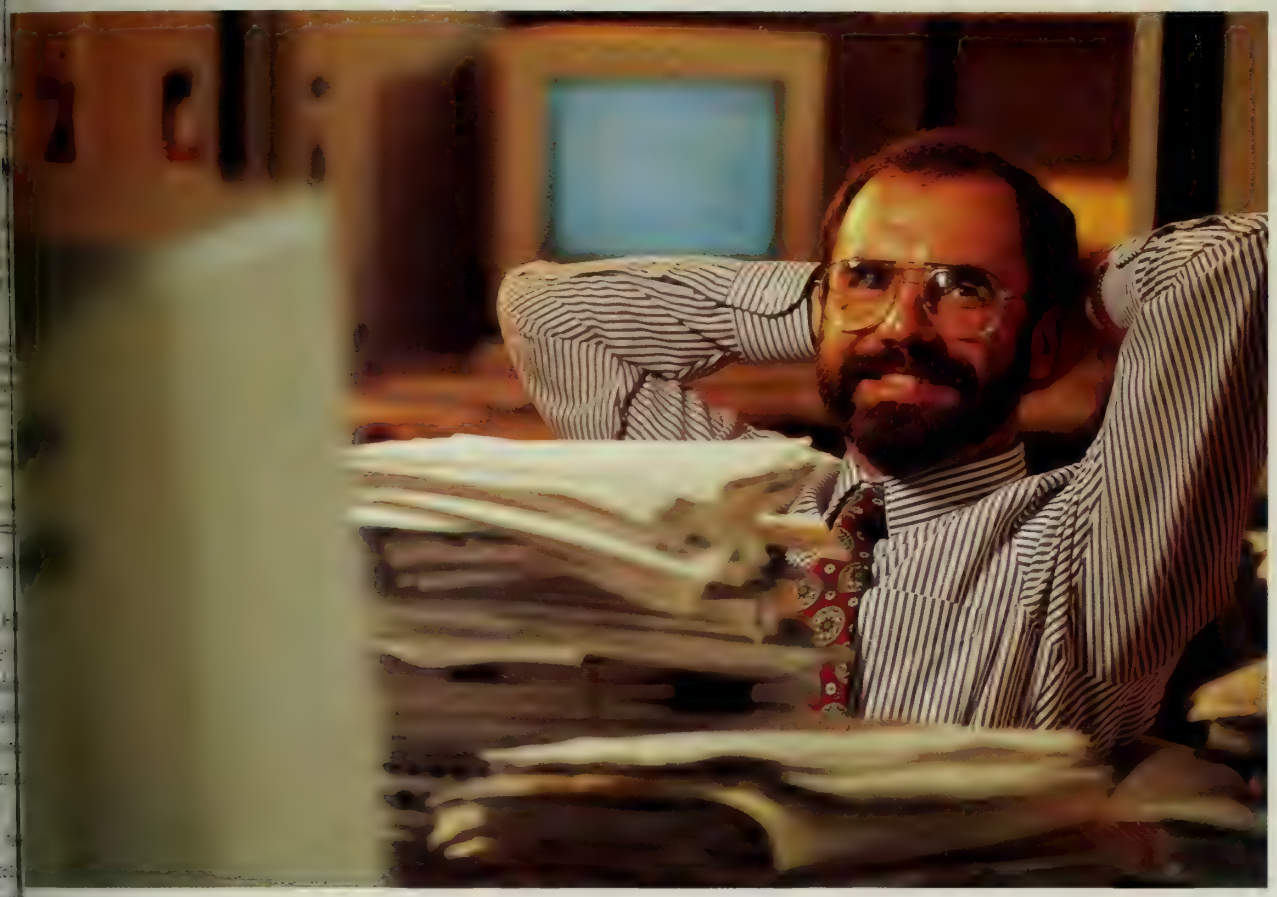
FUTURE TECHNOLOGY
Two years: A system called "pol increase OCR accuracy by simult running multiple character recog engines, each one voting on the scanned characters.
Five years: Neural networks, whi human brain recognition techniq used to recognize handwriting.

Source: Thomas Koulopoulos, Delphi Cons

The Paperless Office: Early Resul



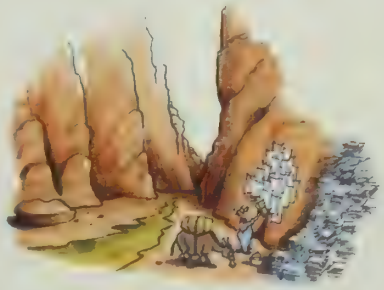




S UP: *Despite making titanic efforts to stem the pulp tide, Aetna's Mike Gotta still concedes an affinity for the tactile assurance of paper documents. clients agree: the insurance giant processed 100 million health claims last year, 80% of which came in on paper.*

orse yet, look at the paper industry. Richard Norton, president with BIS Strategic Decisions, estimates that ted cut-sheet-paper, which flows like white water office printers, copiers and fax machines, will surge nually through the rest of this decade. That may not like high growth, but on a base of 4.2 million tons in that number is significant. Breaking it down even Norton foresees 11% annual n in printer paper usage and a ing 25% increase in the trail of er.

nuary article for the trade publi- *Pulp & Paper Week* stated that ted free sheet markets (the print- writing industry's largest market ewsprint) are booming from a of demand sources, primarily the s and office markets and offset g. Total industry shipments are d to grow to 13.2 million tons ar compared with 12.9 million 1994."



In 1990 Alvin Toffler estimated that the U.S. produces enough paper each year to wallpaper the Grand Canyon 107 times. The amount has more than tripled since then.

nt corporations like Aetna are titanic efforts to stem the pulp tide, but it is a g task. In the past three years, for example, Aetna verted 435 underwriting manuals in its property and casualty division into electronic files, eliminating 87 million pages of paper, 10,000 three-ring binders and $4 million in printing and distribution costs. The company also uses an electronic publishing software package (Folio Corp.'s Folio) to put its manuals, full text-search capability and other document-management efforts on line.

But take another look. Aetna still processes 100 million health claims a year, 80% of which come in on paper, with an average of two pieces of paper per claim. Reports—generated, ironically, by computer—were responsible for 1 billion printed pages in 1994. The company also turns out 16,000 different paper forms, of which only 36% get used. Aetna spends $70 million annually on printing costs, and continues to send out 550,000 pieces of mail daily, making it responsible for a half of one percent of all U.S. mail.

"[Paper] is a security blanket," says Mike Gotta, a manager in Aetna's Enterprise Technology Services group whose job is to bring in document-management products to stem the paper tide. "It's my teddy bear. Just as long as I can see that manual on the shelf, I'm all right."

Paper Versus Vapor

Paper giants like International Paper and Boise Cascade, after emerging from the worst business cycle since the Great Depression, are back on a roll, with profits pouring in and paper prices skyrocketing.

Despite or perhaps because of the relentless progress in technology, paper production has grown slowly but steadily over the past 30 years, with no sign of a slowdown. In 1993, according to the American Forest and Paper Association, U.S. paper shipments of all types totaled a whopping 42 million tons, up 40% from the 30 million tons shipped in 1980, when the futurists' predictions of a paperless office were still taken seriously.

After first panicking about the digital revolution more than a decade ago, papermakers have become more than sanguine about the threat of the paperless office.

"We don't see any electronic technology having a major impact on paper consumption until at least 10 years into the next century," says Terry Plummer, director of marketing for Boise Cascade's paper division in Boise, Idaho.

Indeed, the paper industry's cyclical roller-coaster ride has everything to do with global market capacity and the installation of capital-intensive new papermaking machines and virtually nothing to do with the march toward a digital office.

The industry's 1990 recession, for example, was a result of these giant pulp and paper machines—which are the size of a football field, cost $300 million and take up to two years to build and install—coming on line at several big paper manufacturers simultaneously, which created massive oversupply in the market, driving down prices and profits.

Boise Cascade, a $4 billion company, lost just under $500 million over four years and saw paper prices d 50-year lows. Increased competition from overseas ad the problem. Finding the delicate balance between and demand, the company has rebounded, showing a of $106 million in its fiscal second quarter of 1995 (of a $57 million profit in its fiscal first quarter), anc ness continues to get better, Plummer says. Paper d on a global basis remains a steady, growing busin adds, pointing to untapped markets such as China tl capable of offsetting the maturing U.S. and Europea kets.

And the paper giants, once so worried about the of computers, are paying little attention to paperles nology. The million-dollar strategic consulting r gather dust on CEO bookshelves while the paper worry about recycling, and capital investments.

"The move to a pa office is not even discu our annual meetings, Barry Polsky, spokesm the American Fores Paper Association. "It's the agenda."

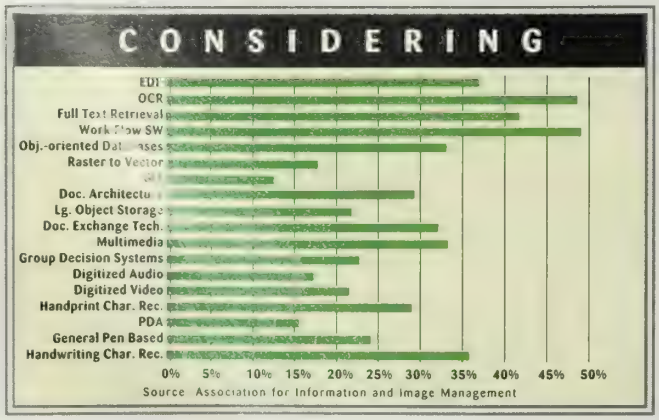
While the move to eliminate paper is championed in the U.S., the rest of the world is still drowning in the stuff.

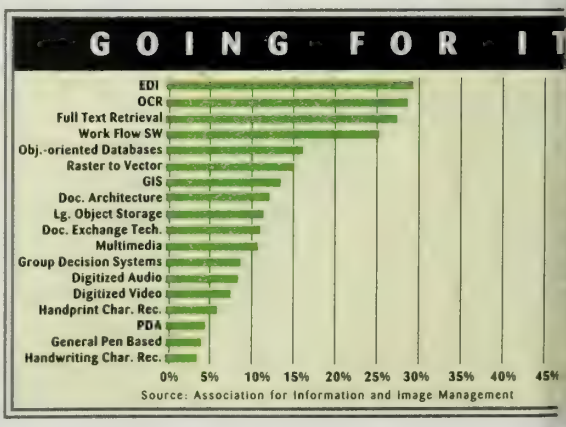
ONE FOOT IN B CAMPS

If this looks a bit as if makers are burying heads in the sand, th comforted by the very nies they ought to fe technology giants.

Thanks to firms s Hewlett-Packard, Xero Adobe, Toshiba, Sharp and Epson, paper continue the medium of choice in the corporate office. Tech has created a paper paradox: As an explosion of info flows in bits across electronic networks, the Inter on-line services, the ability to create low-cost, high- personalized paper-based documents on demand ra

Paperless Plans: More Thinking Than Do





r usage to unprecedented levels.

ven as it has become cheaper to store a document elec- cally, people continue to respond to the tactile quality e 2,000-year-old paper medium.

nd despite all the hype, fewer than one million imaging ms have been installed, says Paul Moeller, vice-presi- of marketing and development for Wang Laboratories. otentially, deals like Microsoft's agreement earlier this to bundle Wang's imaging software in future releases Vindows 95 may have a dramatic impact on moving r into the electronic world. "With Windows 95, we could reach 100 million users in five years," Moeller claims.

But it will take more than an electronic image of a sheet of paper to change the world. Paper remains easier to read, hold, carry and fold than any digital offering. Even as products such as Lotus Notes make collaborative computing a reality, the savviest of technoexecutives continue to print out their documents. "A lot of paper is going digital," says Reto Braun, chairman and chief executive of Moore Corp., the $2.4 billion business forms company in Toronto. "But after your secretary gets it on the tube, you say, 'Print it out.'"

Even after scanning and imaging arrived in the mid-1980s, computers remain a dismal substitute for paper, particularly for the human eye. Alan Kay, the personal computer pioneer and a founding principal of Xerox PARC, points out that it is extremely difficult to read text off a traditional CRT screen.

"When we read off a CRT, our peripheral vision, which is very sensitive to changes in light, notices the edge of the screen flickering," Kay told a CSC Index seminar last year. "The eyes are distracted to the edge of the screen, making reading difficult."

"Paper was the last thing the glory boys of the computer industry wanted to deal with," adds McCready of International Data Corp. "Computers were coded with data in mind, not for pieces of paper to be scanned into them."

Now the sons and daughters of the glory boys scramble to find new ways to capture and enhance information digitally. But though the digital manipulation of documents is accelerating, documents still inevitably find their way to paper. By improving printing and desktop capabilities, the technology giants contribute to the growth of paper.

Hewlett-Packard ships a staggering one million laser and ink-jet printers *per month*. As the technology gets better and faster, prices plunge. Ink-jet printers now cost less than $300.

John B. Jones Jr., an analyst with Salomon Brothers in San Francisco, estimates that HP's printer sales represent

Glossary

MAND PRINTING–Documents sent electronically to a digital ting system, eliminating the tra- onal prepress steps of film, emaking or proofs.

CUMENT MANAGEMENT SOFT- RE–Enables user to easily store, ieve and assimilate large ounts of data. Software can ude OCR technology, automatic xing, and integrated e-mail, fax on-line services.

TS PER INCH (dpi)–The mea- ment of image density and res- on in the number of pixels per re inch.

CTRONIC DATA INTERCHANGE)–The electronic exchange een organizations of transac- s, such as orders, confirmations invoices.

CTRONIC DOCUMENT CON- ENCING–Preparation of docu- ts among geographically ved users. The originator dis- the master document on a n; it is also displayed on the n of the other participants. The cipants can annotate the docu- while discussing it.

TRONIC IMAGE AGEMENT (EIM)–Conversion per documents and microfilm ctronic images, and computer- ated data to optical disk.

E FLIP SPEED–The ability to y images quickly.

ING–The conversion of docu- s from a physical medium (for ple, paper) to a digital form : they can be manipulated by uters for easier access and val. Most image management ns include workstations for g and manipulating images; e devices; and servers to e the image database, run ation software, control periph- nd connect to host devices.

INTEGRATED SERVICES DIGITAL NETWORK (ISDN)–A digital telephone line capable of transmitting voice, video and data.

INTELLIGENT CHARACTER RECOGNITION (ICR)–Software capable of reading handwriting. It adapts and learns according to the shapes of letters and configurations encountered. Used by the U.S. Postal Service for scanning mail.

LOCAL AREA NETWORK (LAN)–Communications network that connects users within a confined area, such as a single office or building.

NATURAL LANGUAGE PROCESSING (NLP)–Technology that researches, reads, analyzes and understands contents of documents for more accurate search and retrieval.

OPTICAL CHARACTER RECOGNITION (OCR)–Scanning software capable of recognizing typewritten and computer-generated characters and converting them into digital formats.

OPTICAL TECHNOLOGY–Using light to read data, such as a CD or CD-ROM.

WHITEBOARD, ELECTRONIC–A big-screen computer monitor with digitizing capability, allowing users to draw or write directly on the whiteboard from remote locations using high-speed networks. The input from the remote locations (typed on a keyboard or drawn from a digitizing tablet, for example) will appear on the whiteboard and simultaneously on the screen of the participants.

WIDE AREA NETWORK (WAN)–A network whose elements are separated by distances great enough to require telephone communications.

WORKFLOW SOFTWARE–An application that allows users to coordinate the work of multiple individuals by routing data and documents over a network.

ASAP INDEX

New office documents created in 1994:
5.46 billion

Tons of paper used to produce these documents:
1 million

Pages created from computer print-outs per day:
600 million
(enough to fill a file drawer 170 miles long)

Number of hours spent by a typical executive each year looking for lost information:
150

Percentage of documents retrieved manually in 1994:
59%

Ratio of money spent to process paper forms compared with the original cost of forms:
60:1

Pages of plain-paper faxes received in 1992:
11.5 billion

Estimated pages of plain-paper faxes to be received in 1998:
175.9 billion

Cost to convert a paper document to an electronic image:
$.25 to $.29
per page

Average cost per user to implement a document imaging system:
$5,000

Average payback period:
3 years

Average gain in productivity:
30%

Industry estimated to spend the most money on document imaging systems in 1995:
financial services ($850 million)

Percent of world's data that will be stored online by 2000:
5%

Sources: BIS Strategic Decisions, Cambridge Technology Partners, Dataquest, Ernst & Young, Gartner Group, HIS Associates, Storage Tek

Paper Versus Vapor

37% of the company's projected 1995 revenues of $31 billion and a whopping 40% of its profits, which he estimates at $2.4 billion in 1995, up 51% from last year.

Carolyn Ticknor, vice-president and general manager of HP's LaserJet Solutions Group, which includes LaserJet printers and scanners, says that HP began selling laser and ink-jet printers 11 years ago. After nine years, the company had shipped 10 million of each type of printer. But in just the next two years, with prices plunging and functionality increasing dramatically, HP shipped seven million more laser printers and 12 million more ink-jet printers. Indeed, ink-jet sales for the home market are booming.

Ticknor points out that HP is continuing to improve its printers, developing their post-processing capabilities to allow sophisticated paper handling across a network.

Rather than being printed and sent through office mail, documents will be transferred digitally across the network so they can be printed locally. "Today, the way network printers work, if you want 10 copies, your PC sends the file 10 times, which is a silly use of the network," Ticknor explains.

"Soon printers will be smarter. You can send a file once and the printer will determine how many copies are printed."

Ticknor also champions scanners. Arguing that there is value to both input and output information devices, she says, "I want to make it easy for the business customer to go back and forth between paper and electronic data."

Xerox, the pioneer in photocopiers, has increased the paper trail by adding color to its office printing and copying models. In 1994, revenues from color products doubled to $400 million. And Xerox's digital publishing system, the DocuTech Production Publisher, has already become a $1 billion business for the Rochester, N.Y., giant.

Xerox calls itself "The Document Company" but continues to derive 70% of its $15 billion in revenues fr traditional light-lens copier business. The compan still garners more than $1 billion in sales from selling and other copier supplies.

And though Xerox is serious about the digital world, it's not abandoning paper anytime soon. Using dataglyph technology, which is a new way to encode machine-readable data on paper, Xerox is marketing "Smartpaper" for such applications as forms creation, direct-response marketing and document publishing.

The bar code-like glyphs, appearing as gra terns made from tiny 45-degree diagona that carry binary data, can carry thousa characters of text, data and graphics in tion. The glyphs, which are and blend together, c incorporated into elements on a nearly invisible reader. With Smar you can encode sprea data—or even Lin "Gettysburg Address" later scan them into a computer t optical character recognition (OCR "By making content better repr on paper, it gives paper new life," say van Cuylenburg, executive vice-presi Xerox. "Paper is a very creative mediu it's still where you get instant gratification."

Agfa has introduced its Chromapress digital printi tem, a $350,000 machine that gives people access t quality color documents without the traditional p steps of making film, plates or proofs. What mak systems attractive to corporate buyers is the ability tomize each and every printed brochure or maili course, with that comes the inevitable explosion of junk mail.

Adobe, which merged with Aldus and then ann its plans to acquire Frame Technology, the creat software used to produce technical manuals for larg panies, now offers Framemaker. The combina PageMaker, Adobe's desktop publishing softwa Framemaker makes Adobe a champion, spawning t ation of an abundance of paper-based document internal newsletters to specialty documentation, robust market for document imaging.

In addition to these advances in printing and publishing, increasingly sophisticated database and

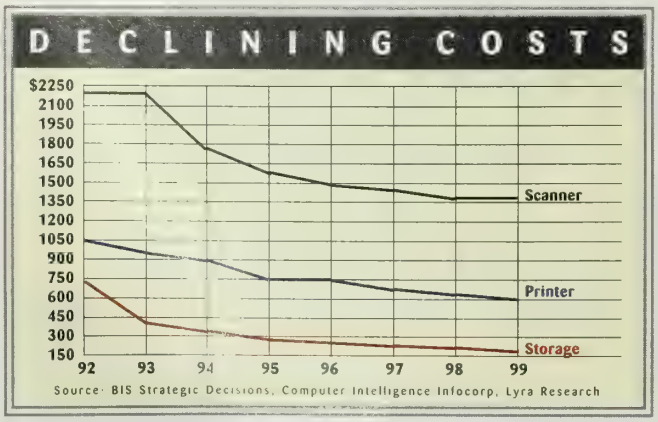
"Paper is a security blanket," says Aetna's Mike Gotta. "It's my teddy bear."

STORA

CURRENT LIMITATIONS
No prevailing standard; lack of p to manage the stored data; rapidl ing drives.

FUTURE TECHNOLOGY
Two to five years: 3D photochro age, funded by Rome Laboratory oped at the University of Californi will not require any moving parts, retrieval time virtually instantaneou store 125 gigabytes (1 terabit) of area the size of a sugar cube.
Beyond: The Los Alamos National developed a nonerasable, high-de that can store 2 gigabytes of data steel pin 1 inch long and 0.08 in

Source: Linda Kempster, IIT Research In



G THEIR BETS: *Marketing vice-presidents Carolyn Ticknor of Hewlett-Packard (above) and Peter van Cuylenburg of Xerox (below) must corporate customers find the right (that is, continually changing) balance between paper and paperless technologies.*

velopment software, groupware and document-ment and workflow software flood the market, gen-even more paper. At the same time, sales of hard-at produce hard copy are exploding. Expect, for , an eruption of multifunction devices for the desk-top—the hybrid products that combine copier, printer and fax in a single box. According to BIS Strategic Decisions, these paper crunchers will leap in sales from 311,000 in 1994 to an estimated 7.2 million by 1999. And color ink-jet printer sales will soar more than 27% annually between now and 1999.

Part of the problem in counting on a technological solution to help eliminate paper is the hybrid environment that currently exists. "The marketplace is growing but still very fragmented," says Michael Cunningham, president of the Harvard Computing Group in Harvard, Mass. "There is a set of diverse but individually mature technologies that surround the document. At the core are database-management tools, document storage and retrieval, which are sophisticated image-processing tools for scanned data capture and indexing, and conversion processes like OCR."

Layered on top is the workflow and document-

IE TELLTALE SIGNS

company is a good candidate for an ctronic document imaging system if it:

- roduces large amounts of paper
- ses microfilm/microfiche extensively
- rocesses a lot of data that cannot be eyed in, such as drawings, signatures and andwritten information
- eeds to frequently access and retrieve data
- as numerous customer inquiries
- roduces documents that require extensive rocessing and complex routing
- willing to reengineer its IS process

Source: American Management Systems

Paper Versus Vapor

management software, all mixed into the groupware space. "Most companies need a mixture of these technologies," he continues. "But who supplies the expertise? There are more tools than standards and know-how."

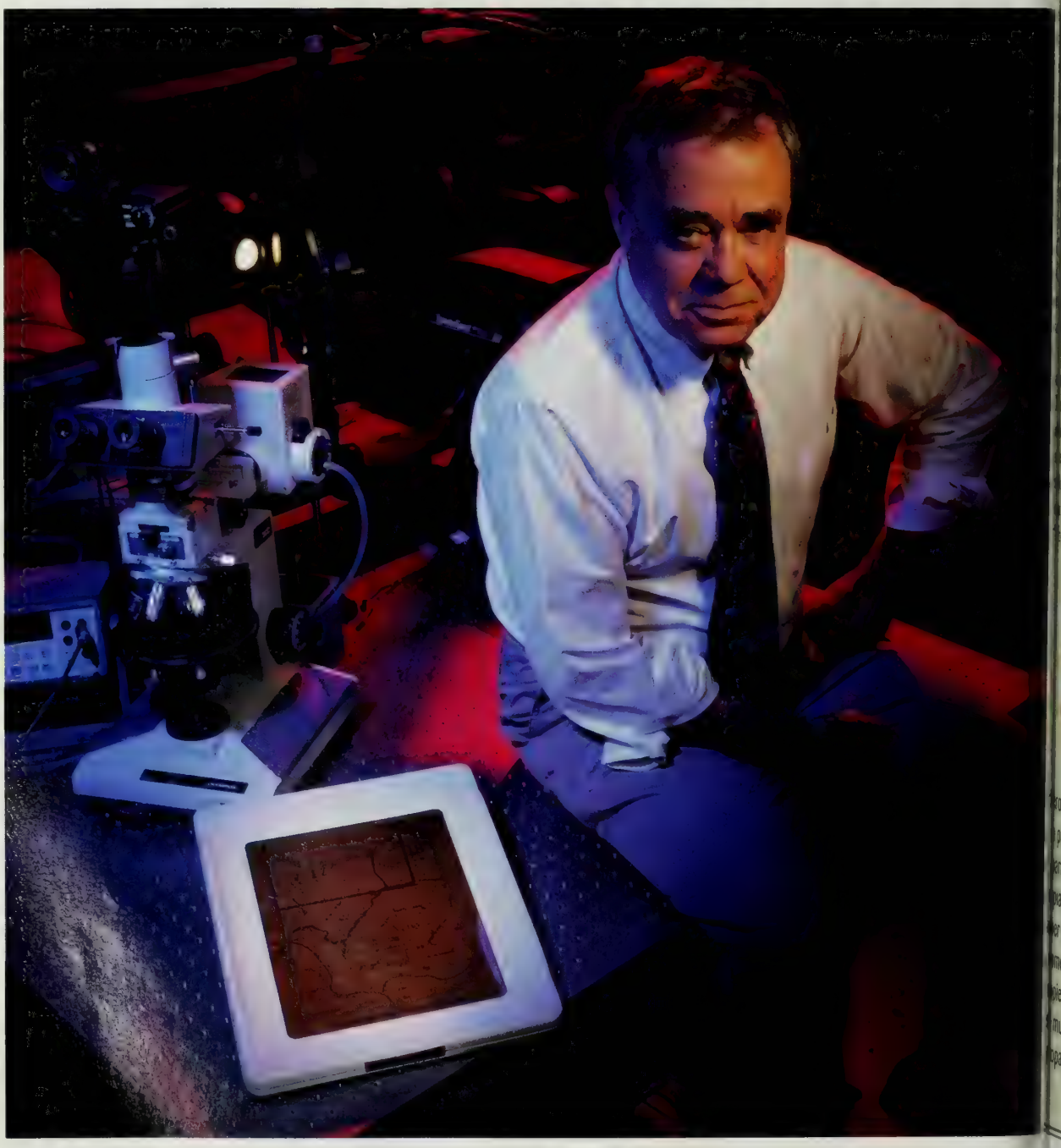
And while information-technology (IT) departments grapple with all this, people continue to prefer paper, Ticknor of HP's LaserJet Solutions Group says. After conducting surveys with high school students who've grown up on PCs and Nintendo, Ticknor sees little reason to fear an end to the people's love affair with paper.

"I was concerned that children would be different, having grown up on TV and personal computers," sh "but our survey shows that, for them, information isn sonal until it's put on paper. When they read someth a screen off the Internet, it's like a broadcast to eve When they dropped it down on paper, it became the

THE DOCUMENT, STUPID

Thornton May, an iconoclastic vice-president Cambridge Technology Partners, spent a good por the past decade examining the emergence of imagin nology. Today, he believes corporations simply h

A GLIMPSE OF THE FUTURE: *In eastern Ohio, Bill Doane leads a group of Kent State University researchers who have created a liquid crystal that closely replicates ink on paper. Some say it's the missing link that will finally unite the efficiencies of digital data with the warm familiarity of pap*



HE FUTURE OF PAPER

NO LONGER STUCK IN PARC

rox Corp. has gotten more than share of grief for allowing others capitalize on technology break-oughs achieved at Xerox PARC, legendary research and develop-nt center in Palo Alto, Calif.

In the 1970s, geniuses inside RC invented a bevy of ground-aking technologies, from an early sion of the personal computer to nt-and-click interfaces, only to upstarts like Apple Computer Microsoft rush off with the fits.

Today, in the nondescript arch facility set in the rolling surrounding Stanford Universi-PARC scientists continue to pro-e innovative technology. But ox is leaving nothing to chance n it comes to technology transfer marketing its own inventions.

Nestled at PARC's knees, a short ble down the hill, are XSoft, ktop Document Systems and r Xerox divisions established in nt years to transfer PARC tech-gy into products with the Xerox on them. As Xerox bills itself e Document Company," much of the research is aimed at catapult-ing the document, whether in paper or electronic form, into the future.

Under John Seely Brown, a 17-year PARC veteran who is more social philosopher than computer scientist, PARC has developed a series of technologies that will play a role in the future of paper. XSoft, for example, created Visual Recall, a document-management software tool for Novell NetWare. Based on PARC technology, the software includes a text database with linguistic comprehension techniques that allow for more inclusive/exclusive document searches.

Visual Recall understands conjugations of words: that *went*, for instance, is the past tense of *go*. It also incorporates PARC's Information Visualizer technology, which automatically creates a variety of two- and three-dimensional models and graphics so users can make sense of large numbers of documents at a glance.

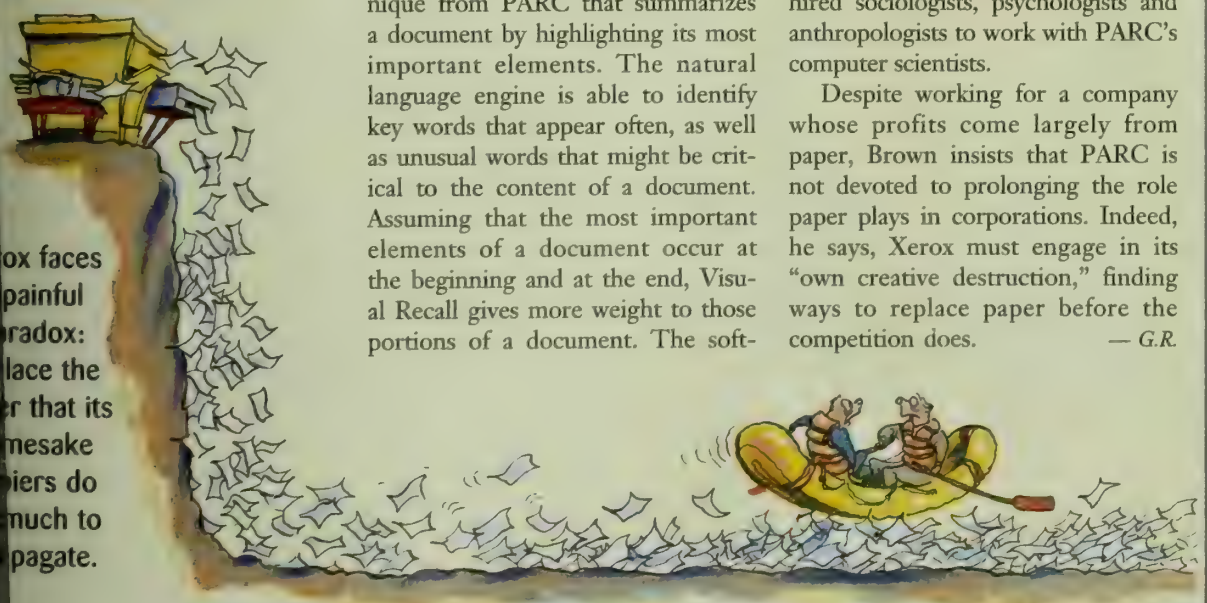
The latest release of Visual Recall adds a new linguistics technique from PARC that summarizes a document by highlighting its most important elements. The natural language engine is able to identify key words that appear often, as well as unusual words that might be critical to the content of a document. Assuming that the most important elements of a document occur at the beginning and at the end, Visual Recall gives more weight to those portions of a document. The software creates a single page of highlighted material in seconds.

PARC researchers are also at work on a 6.3 million-pixel active matrix display, with 20 times the resolution of conventional laptop displays. Such resolution will permit clarity beyond the printed page, says Russel A. Martin, a researcher in PARC's electronics and imaging laboratory. "It gives you prepress in a workstation," he says.

Xerox's newest division, the three-year-old Desktop Document Systems unit, is adapting such PARC research as dataglyphs and advanced optical character recognition software to make paper "smart." The division is also responsible for the hot-selling multifunction desktop systems that incorporate printers, copiers, faxes and scanners into one machine. All of this generates more paper.

Brown says that PARC started with little understanding of the document as "social artifact," that the document had impact on many levels besides simply holding data. To help PARC grapple with that, Brown has hired sociologists, psychologists and anthropologists to work with PARC's computer scientists.

Despite working for a company whose profits come largely from paper, Brown insists that PARC is not devoted to prolonging the role paper plays in corporations. Indeed, he says, Xerox must engage in its "own creative destruction," finding ways to replace paper before the competition does. — *G.R.*



ox faces painful radox: lace the r that its mesake piers do much to pagate.

The disc is formed by back-to-back bonding of two .6mm thick, 5-inch discs. The track on the ne
Super Density Disc is finer, allowing for five full gigabytes of storable data on a single side. This n
technology applies to the Digital Video Disc as well as a computer storage device.

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Prototype (SD) player is shown here. Actual product available mid-1996. TIMM multimedia monitor is currently available.

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Paper Versus Vapor

made the effort to understand the value of the document.

"Why hasn't anybody focused on the document?" May asks in amazement. "It is one of the most important and least understood engines of capitalism today, a blind spot in modern capitalism, ignored by strategic consultants and business schools. But in an information economy, the document is where it all comes to rest." May believes that the corporation that best understands the document's effective flow through the network will be a winner.

Priscilla Emery, vice-president of market research and development at the Association for Information and Image Management International, concurs. "Paper is the symptom, not the disease," she says. "The disease is how to get at the information, whether it is electronic or paper-based. Organizations need to put an honestly assessed value on documents they receive and create. When you consider how tough it is to manage document flow on a single desktop, just try that on an organization-wide basis. It can be intimidating."

Paul Saffo, a director at the Institute for the Future in Menlo Park, Calif., is convinced, however, that the shift away from paper will come eventually, but in a more subtle manner. "Paper will never become obsolete," he says. "In 30 years, we'll become paperless the way we became a horseless society. There are more horses in the U.S. today than at the turn of the century, but they are ridden by hobbyists and little girls. Thirty years from now we'll still have books, but the vast amount of business will be done electronically."

For some, the paperless world isn't a pipe dream but a way of life. Nicholas Negroponte, director of MIT's Media Lab and author of the bestselling *Being Digital*, is convinced that the future holds "hard copy which does not use pulp."

Negroponte insists that converging trends—the increasing sale of personal computers for home use, the inevitable move to speech as the dominant user interface, the virtually infinite capacity of wireless technologies, and the increasing intelligence of the systems themselves—will allow the flow of digital bits into multiple channels. He foresees these bits having relationships with other bits through intelligent agents, changing the very nature of information delivery.

And, Negroponte says, once electronic media incorporates the best features of paper—contrast, brightness, cheapness, flexibility and accessibility—"the need for paper goes away."

Negroponte adds that culture and habit will play a key role. "I personally see almost no paper," he boasts, "and have come to ignore anything except electronic displays."

ACCESS/RETRIEVAL

CURRENT LIMITATIONS

Awkward word-search features; information found is often not relevant; related information is often missed, because the search word was not in the document.

FUTURE TECHNOLOGY

Two to five years: A system known as "inquiry expansion" will suggest other closely related words when a user types in a search word. Software tools called "intelligent retrieval agents" will be able to go out on their own and sort through document collections to retrieve useful information.

Beyond: "Information refinery" is a technology that will not only retrieve information but place it into a spreadsheet or other appropriate formats.

Source: Thomas Koulopoulos, Delphi Consulting Group

FIELDS OF REAMS: *While the minds of third-wave ponderers Esther Dyson (Internet and software guru, above), George Gilder (*Forbes ASAP *contributing editor, bottom) and William F. Buckley (editor, writer, television host, bottom right) focus on the limitless possibilities of a digital future, their offices are knee-deep in the paper-based past. Albert Einstein suffered the same affliction. "If you think it's messy there, you should see it up here," he laughed, pointing to his head.*

Max Aguilera-Hellweg (top), Clemens Kalischer (left), Christopher Little (right)

KEEPING THEIR STORY ALIVE

USAA: CONQUERING A PAPER MOUNTAIN

MOST CORPORATIONS have taken a shot at reducing paper in the office. Perhaps none has taken it as far as United Services Automobile Association (USAA), the $35.8 billion financial services giant in San Antonio, Texas.

USAA, which provides insurance, banking and financial services for 2.7 million members, most of whom are in the military, was once the classic paper-bound organization. In the early 1970s, then-chairman Robert McDermott wandered through the corporate offices and made marks on the mountainous stacks of paper he found everywhere. A week later, most of those stacks had not been moved.

HIDE AND SEEK: *USAA's Colbert says customers once waited weeks for answers while service reps leafed through jumbled files.*

As the nation's fifth-largest provider of auto insurance and fourth largest provider of homeowners insurance, USAA dealt directly with its customers over the phone and through the mail rather than through local sales agents. Its paper trail was so bad that it hired teams of college students to comb the building at night searching for lost or misplaced files.

In 1981, well before a robust imaging system was commercially available, USAA committed to a five-year $100 million systems strategy to get imaging in place. It was a huge gamble, but it paid off.

Under McDermott's edict, USAA became a pioneer in electronic imaging, installing IBM's Image Plus system in 1986, before it was commercially released. The first application, called the Policy Service Image Application, consisted of an electronic file folder for each active property and casualty customer.

Since its launch as a full-scale production system in 1988, USAA's imaging system has spread, sometimes quickly, sometimes not, throughout the organization. USAA has invested $130 million into its imaging system, and today more than 10,000 of the company's 16,000 employees use it regularly, storing more than 65,000 documents—some 650,000 pages—per day.

By the end of the year, there will be 150 million documents with over a billion pages stored on more than 3 million megabytes of optical disk storage in various image applications.

The mail room in the automobile and homeowners insurance area, for example, scans 20,000 documents each day. The originals are held for two to three weeks for legal reasons or to be sure a document was accurately scanned. Then the paper is destroyed.

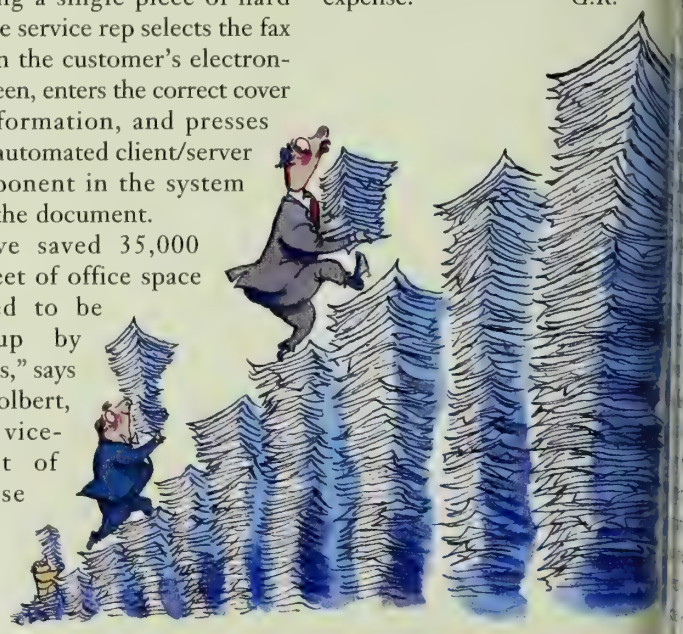
Using the imaging system, USAA sends out 5,000 faxes a day without generating a single piece of hard copy. The service rep selects the fax option on the customer's electronic file screen, enters the correct cover sheet information, and presses GO. An automated client/server fax component in the system delivers the document.

"We've saved 35,000 square feet of office space that used to be taken up by paper files," says Philip Colbert, USAA's vice-president of enterprise systems. "And we reassigned 100 people whose sole job w to climb ladders and find paper do uments."

The company has also strea lined its claims process by equippi its adjusters with laptop compute An adjuster inspects a damaged aut mobile, uploads the information o a cellular phone to USAA's co puter system, prints an estimate, a usually issues a check on a portal printer right on the spot. T adjusters have even been given d ital cameras to photograph damag cars, and the digital information fed back through remote access li into USAA's system.

Colbert says the company has quantified how much paper it h saved, but claims the payoff con in improved customer service. In not-so-distant past, a customer c ing with a question might wait d or even weeks for an answer beca of misplaced files.

"There are no callbacks and telephone tag," Colbert says. "I consider technology something be invested in. It's not an expense." — *G.R.*



Why then did he write a book, one of the oldest forms of nondigital media? "My audience does not have another able display medium," he says. in the making of the book, I used paper, not even for notes."

MISSING LINK

odern two-story brick building t State University, in the east- io farmlands, Bill Doane wres- th the future of paper.

ne, 60, director of the Liquid l Institute at Kent State, has he past 30 years advancing the f liquid crystal displays. He is tting the finishing touches on otype of something called a ive cholesteric display, which edia experts say is the missing ween digitally created data and like computer interface.

ne and his 160-person lab, the M (Advanced Liquid Crystal l Materials) Center, operate rants from Advanced Research s Agency (ARPA) and the al Science Foundation. The as created a liquid crystal display that closely repli- k on paper.

ne's display doesn't require a backlight like today's screens. Instead it is reflective like paper, with e contrast. The screen material has memory so the tays in place until it is erased, thus eliminating the an image to be refreshed 30 to 60 times a second, e for flicker on computer screens. The screen can on a plastic substrate, providing a lighter and more durable display. And t require the costly active-matrix dis- today's laptops use.

t's the most important feature," Doane tive matrix is very expensive, requiring tor in each pixel element. This tech- doesn't require that, so the cost is dramatically. We can foresee, when we built in commercial form, selling it for w hundred dollars." The commercial ikely to be a two-pound digital tablet 8 1/2 by 11 inches and flat as a legal pad.

F. Fidler, a new-media consultant for Knight- n Boulder, Colo., says the Doane prototype repre- ew generation of information appliances that will on a document concept.

of the reasons the paperless office didn't come quickly as people expected is that computer technology was not designed around a document model," Fidler says. "It was designed around transactions that could be displayed on monitors based on a television model. Technologists involved in developing software thought of information as data and did not consider presentation to be significant. Presentation is as important as content itself."

Simply displaying ASCII text on a flickering screen is a long way from replicating a paper-based medium, Fidler says. "One reason the fax is so successful is that it retains all the characteristics of the document. Exchanging documents in computer systems, especially across platforms, makes it very difficult to preserve the look and feel of a document."

Fidler has been closely advising Doane and his crew at Kent State, suggesting letter-size screens and pushing them to create their third prototype of the device. All the major electronics manufacturers such as Sony, Toshiba and Panasonic as well as IBM and Apple, he says, are interested. "Before the end of this decade, we'll see information appliances based on the document model, initially black-and-white and probably in the $1,000 range for a tablet," he predicts.

Fidler, who is focused on designing the newspaper of the

DISPLAY

CURRENT LIMITATIONS

Limited screen size; poor resolution; lack of sharpness; awkward scrolling, panning and zooming to view multipage documents.

FUTURE TECHNOLOGY

Two to five years: Flat panel displays with a resolution of 200 to 300 dpi.

Beyond: The creation of a "glass desktop" with a high-resolution monitor that will display documents in a 3D format.

Source: Thomas Kwiatkowski, Delphi Consulting Group, Cambridge, Mass.

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The world pu

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Paper Versus Vapor

future, thinks paper dependency will start to slip by the middle of the next decade, just as Doane's liquid crystal display is ready for mass market.

The most significant payoff from Doane's display, Fidler says, is that unlike traditional two-dimensional documents, documents of the future could become three-dimensional. "You'll not only have the height and width of a page, but layers of depth that can be attached to a document."

But even Fidler admits the reduction in the use of is at least a decade away: "Until you have an elect medium that is as easy to use as paper documents, y not going to have a reduction in paper consumption."

That may be a long time in coming.

Glenn Rifkin is a New York Times *correspondent and a frequent c utor to* Forbes ASAP. *His previous piece, "Groupware for Ske appeared in the June 5 issue.*

PAPER DINOSAURS

On the Road to Extinction

By Thornton May

As corporate America seeks to streamline operations, these paper relics are headed for the tar pits.

Airline Tickets Phone ahead for a reservation, give a credit card number, receive a confirmation number, and simply give the number to an agent at the airport to get on the plane. Eliminating tickets is a big win for customers and airlines alike.

Accounting for every ticket sold is a paper-based nightmare. The high volume of transactions makes it impossible for an airline to precisely determine revenue. The accepted norm was to sample a small percentage of tickets and extrapolate from it total revenues. This data was of limited value for supporting pricing, scheduling and special program decisions.

Batch Computer Reports The green- and white-bar jobbies that clutter desks and swell landfills are headed for the history books. These monstrosities now move from creation to archival retention via the wonders of COLD (computer output to laser disk), one of the hottest (and highest-payback) technologies today.

Big Data Repositories The tomes will be the first to go (i.e., encyclopedias, technical manuals, airline schedules, phone books, 300-page parts catalogs)—replaced for the most part by CD-ROM simulacrum. For example, the technical documentation associated with one of Northwest Airlines' planes consists of hundreds of manuals ranging in size from 100 to 68,000 pages.

Inter-Company Memos The U.S. Postal Service carried 171 billion pieces of mail domestically last year, an increase of only 2% from the year before. At one point the Post Office had hoped to "in-source" their services to corporate clients, moving information not just from business-to-business but desk-to-desk. That "last-point" delivery segment has been usurped by electronic mail, which silenced the spinning wheels of the internal mail cart. Executives who once wrote lengthy, self-serving memos were early casualties in corporate downsizing.

The One-Dollar Bill Get rid of your greenbacks. Paper money is heading out to pasture. Financial institutions around the globe (and a few tec nology vendors as well) are racin to create personal "e-money," kind of portable electronic purs The current, though by no mea last, technology embodiment of th dream are wallet-sized cards embe ded with rechargeable microchi that store sums of money. Movi to "e-money" will also make env ronmentalists happy, as more th 9.3 billion pieces of new curren are printed each fiscal year.

Order Forms On-line order ent and computer-to-computer trans tions are eliminati paper-based forms. Cu tomer Management Sy tems (CMS for short) a the high ground f organizations that ha rediscovered their mo important asset—the cu tomer. CMS system when used right, effe tively respond to bo internal and external cu tomer requests usi real-time access to mu ple databases.

Phone Bills MCI currently sends largest customers their bills on C ROM instead of pallets of pap Indeed, the product was so w received that it won the Teleco munications Product of the Y award several years ago.

Finally, in an ideal electronic wo the only paper one should need toilet paper.

Thornton May is vice-president of Cambr Technology Partners, a research firm Cambridge, Mass.

"Excuse me, my connector is ringing."

Did she say connector instead of phone? Well, if she's from AMP it's understandable, because we've asked our people to think of anything that provides connectivity, even between people, as connectors. Usually thought of as pieces of plastic and metal sitting on circuit boards or ends of cables, connectors are being redefined. We're broadening their definition to include the circuit boards and cables, seeing connectors as entire signal paths -- from where they're generated, to where they're received. Redefining connectors has led us to add certain technologies to our company, like circuit boards, cable assemblies, sensors, optoelectronics, and wireless components. And we bring these technologies together to create proven connectivity subsystems that our customers can drop into their designs – giving them a better way to solve problems brought on by faster chips, shrinking form factors, and shorter development times. So while we don't expect everyone to think of phones as connectors, our customers benefit because our people do.

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Consultants	Specialty	Clients
Tom Dale MSTC 3541 Chain Bridge Road, Suite 9 Fairfax, VA 22030 703-850-4031	Independent consulting firm assisting companies in procuring and designing electronic document management systems. Services include: conversion, imaging, automated workflow, groupware, legality, compliance and integration.	Inter-American Development Bank, Chesterfield County (VA), Fannie Mae, NASA, U.S. Army, Delaware Pension Office
Dan Elam Imaging Consulting Route 1, Box 426 Saluda, VA 23149 804-758-5755	Performs needs analysis for end users on selecting imaging and COLD (computer output to laser disk) solutions. Designs large imaging systems for integrators to sell to customers.	Charles Schwab, Tupperware, Research Triangle Institute, University of South Florida, BellSouth, Unisys, Oracle, Loral
Richard Fisher Fisher & Co. 12318 Skyline Blvd. Los Gatos, CA 95030 408-741-1287	Analyzing and improving document-based information processes for end users, including workflow, cost/benefit, system architecture, and implementation project management.	Apple Computer, Burroughs-Wellcom, National Medical Enterprises, Ford Motor Company, ARCO Alaska
Peter Gretz American Management Systems 1777 North Kent Street Arlington, VA 22209 703-841-2089	Large-scale workflow document imaging systems, multiple sites, both custom and package-based solutions.	Daughters of Charity National Health System, MBNA America Bank, First USA, Memorial Healthcare System, Delta Dental Plan of New Jersey, IBM
Linda Kempster IIT Research Institute 4600 Forbes Boulevard Lanham, MD 20706 301-918-1037	Removable mass storage media. Published a book entitled, *MEDIAMANIA: The Fundamentals and Futures of Removable Mass Storage Media.*	Past clients include: Northrop Grumman, Boeing, SAIC, EER Systems and government agencies such as the FBI and IRS
Thomas Koulopoulos Delphi Consulting Group 100 City Hall Plaza Boston, MA 02108 617-247-1511	Provides educational, market research and consulting services in the areas of electronic document management and workflow.	Union Pacific, Lockheed Martin, Mobil Oil, Blue Cross & Blue Shield, Owens-Corning, Lone Star Ga
Anthony Sassi SassPro Associates 719 Yarmouth Road, Suite 103 Palos Verdes Estates, CA 90274 310-378-5845	Document-processing consulting and form-technology services firm focusing on business strategies and solutions or document management electronic printing/publishing in electronic forms.	Xerox, Chubb Sovereign Life Insurance, Anacomp, GEICO, Colonial Penn Group, Bull Printing Systems, Duplex Products
Herbert Schantz HLS Associates 19 Halifax Court Sterling, VA 22170 703-444-7037	Imaging technologies including OCR to automate business word processes, document processing and records management.	Past clients include: Recognition Equipment, IBM, Eastman Kodak, Price Waterhouse, Westinghouse Electric, State of West Virginia, Fairfax County (VA), Ziff-Davis Publishing, Pitney Bowes, Carlisle Corp.
Suresh Shenoy Information Management Consultants 7915 Westpark Drive McLean, VA 22102 703-893-3100	Creates solutions based on currently available off-the-shelf technologies. Focuses on insurance companies, financial services, pharmaceuticals and transportation.	Law firm of Howrey & Simon, State Street Bank & Trust, Oppenheimer Funds, Department of Defense, Department of State
David Stephens Dataplex Box 14975 Le Fleur Station Jackson, MS 39236-4975 601-977-4000	Performs document retention for corporations and government agencies in the U.S. and other countries. Focuses on developing comprehensive records management programs.	Past clients include: Coors Brewing, American Fam Life Assurance, Hewitt Associates, Bank South, Cleveland Foundation
Richard Stover Document Management [illegible] Pinnacle Peak Road, #249 Scottsdale, AZ 85255 602-585-5580	Strategic marketing issues for companies with engineering-related products for document management.	CalComp, Dainippon Screen, Electric Power Resear Institute (EPRI), Motorola, Nippon Steel
David Weinberger Evident Marketing 94 Westbourne Ter[illegible] Brookline, MA 02146 617-738-8323	Specializes in future of document technologies, especially integration with information systems and the Internet. Edits *The Gilbane Report*, a newsletter on the new compound document management technologies. He has written for *Wired, Byte* and the *New York Times.*	RR Donnelley, CSC Index, Interleaf, Open Text, Release 1.0
Dave [illegible]od Wood Associates 13350 West Park Ave., Suite C Boulder Creek, CA 95006 408-338-1551	Serves document imaging vendors and large end-user markets. Experienced in market research, system architecture definition, index automation, project management, RFP definition, vendor selection and cost justification.	CTB, McGraw-Hill, Cornerstone Imaging, Fujitsu Computer Products of America, Caere Corp., Plasmon Data

nnovators n *Mobile* Computing

Unplugging Business:

The Wireless Revolution

Part of a series of Special Reports

from The Yankee Group

By Howard Anderson

Innovators in *Mobile* Computing

Unplugging Business:

The Wireless Revoluti

The trouble with management theories is that they are all right – and all wrong. For years, management gurus told us to "get out, visit your customers, walk around, figure out what is happening." At the same time, they convinced us to be "close to our data and be flexible," holding us captive to our desks and desktops, our phones and phone mail.

But there was an obvious problem: Doing both was an impossibility. Managers always had to choose between being landlocked to their data, offices and support structure or flying away to meetings at customer sites, always with the vague apprehension that they were cut off from their life-support systems.

Not any more. Today, you can have your cake and eat it, too. You can be connected but not tethered by a wired world. How? By going wireless.

The Wireless Revolution

Wireless means more than the odd cellular phone or pager. It means that those on the road have the same access to all data and all information as those inside. It is an entirely new way to think about mana

Today, there is not a single connection, either via voice, that cannot be handled electronically with wi technology. We have overcome the impediments tha us reluctant to consider massive deployment of wire solutions: high cost, unpredictable service levels, un dictable geograph coverage, uncerta battery life and b devices. All have solved, or shortly

There is a revo under way – a wi revolution. Many best-run compan America no long at wireless as a l form of life, rele those application can be handled c piecemeal set of Today, the noma lifestyle of mana field personnel i rule, not the exc With companies finding that thei management is more than ever, cannot afford th of having their riors informatio disenfranchised.

But how shou treat this revolu Fling our landlo phones and des

continued o

CASE STUDY:

Toshiba's Mobile Office in Action

Picture this: a company with 1,800 mobile employees who do accounting, proposals, sales presentations, customer correspondence, database management—even take training courses—via Toshiba portable technology. To some, this appears to be a virtual work environment in action. To Life Insurance Company of Georgia, it's just business as usual.

For the Atlanta-based insurance company, portable technology translates into flexibility, immediacy and sales leverage. "With notebooks, we can show our customers all of their financial options right on the spot," says Gerald Woodall, Director of Marketing Systems Support. "Our software program even recommends products based on customer requirements. Agents can boot up the yearly tuition of any college to determine the amount of life insurance customers will need to provide for their children. All of this can be done right in their homes within minutes."

Woodall cites several reasons for choosing Toshiba portable technology: the built-in charger, which eliminates problems and expense caused by cord breakage on external chargers; a good pointing device integrated into the keyboard; and an active matrix screen with excellent peripheral view. "Good peripheral view is vital because agents must show the screen to customers and be able to see it themselves, often from an angle," says Woodall. "Given our price and power requirements, Toshiba portable technology has all the key features we need."

There are two kinds of experiences you can have setting up a mobile workforce.

Virtual headache.

Until now, automating a mobile workforce could be a painful experience.
How could you be sure everything would work together?
Or that it would work with what you've already got?
And what about your end users? They're not technicians.
When they have a problem in the field, whose problem is it?

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The Intel Inside and Pentium Processor logos are tradema

ued from page A2

iters into the lake and adopt personal digital assis- ınd wireless modems like pet dogs?

'he Yankee Group 100 (our largest end-user clients) differently. First, they say, find new applications the wireless solutions mean more customer satisfac- econd, run a pilot project for six months, with no than a dozen participants. Third, measure the ses in productivity and satisfaction. If it works, l it. If it doesn't, kill it.

Welcome to the Virtual Office

ortable personal computers will surpass "landlocked" os next year, so s professionals ready purchased solution. communica- pability to a personal er removes power and nications tether. ant to carry a er? A hand- rsonal digital (PDA) can connections to N E-mail, pop the Internet, u send a "wire- to any fax in the world. more? How phone in a that bounces ellite 23,000 ay in space? next year, vir- ery portable r will ship MCIA slot. ke all this reasonable e cost of oice commu- wirelessly art dropping 15% per year and continue for the next four years.

The real power of virtual offices is not that you can combine a junk drawer of gizmos, but that it is now possible to have the same "look and feel" in a virtual office as in a physical office. Want quick data? No problem. Conference calling? Even videoconferencing? The virtual office can handle it.

Mobile professionals, whether white collar or gray collar (service personnel), now can carry a basket of technology that gives the same functionality as they can get at the desktop. And just in time, for a number of companies such as IBM and AT&T have adopted the "virtual office" model. Entire platoons of mobile professionals in sales and service have no visible offices. Their business travels with them in their portable computers and their cellular phones.

The Road Warriors

Who are these gray- and white-collar professionals? What do they look like? What do they carry? Are they truly paperless or are they toting multiple devices like bandoliers?

Begin by envisioning each of them with a laptop, weighing no more

Wireless Wonders from Motorola

Wireless communication is playing a critical role in turning the vision for mobile computing into a reality. Because today's competitive business climate demands tools that will allow you to work and communicate at your own convenience and discretion, Motorola's Wireless Data Group has a product line dedicated to enhancing mobile communications, including:

Personal Messenger™ 100 D Wireless Modem Card

Fitting into PCMCIA Type II or III slots, it allows the exchange of E-mail and connection with on-line databases and office networks.

Envoy® Wireless Communicator

Based on the Magic Cap™ platform, this handheld device allows E-mail exchange, Internet access and fax without the need for telephone lines.

Marco® Wireless Communicator

Based on the Newton® platform, this handheld device provides wireless capability to connect to network applications such as E-mail and corporate databases.

AirMobile™ Software Products

This middleware provides efficient end-to-end connectivity and mobility between clients and communications servers on local area networks.

With wireless communications, professionals can be more strategic, creative and flexible in making decisions, getting things accomplished and leveraging business communications to their competitive advantage. Motorola's Wireless Data Group is driving the wireless communications market by providing real business solutions for mobile professionals.

[Welcome to the liberating world of personal

Out of the offi

Envoy® Wireless Communicator on the General Magic *Magic* platform is packed with time-saving features accessible the tap of an icon - no manual required. Send text and written messages via radio, phone/fax or infrared. Smart agents automatically schedule meetings, update addresses, etc. while you get on with business

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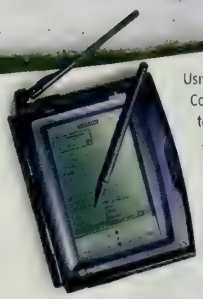

Using the Newton® platform, the Marco Communicator emphasizes wireless co to network applications like desktop and corporate databases. "Marco fin the Newton platform into its own (w right mix of built-in communicatio operating software enhancements." (MacWeek)

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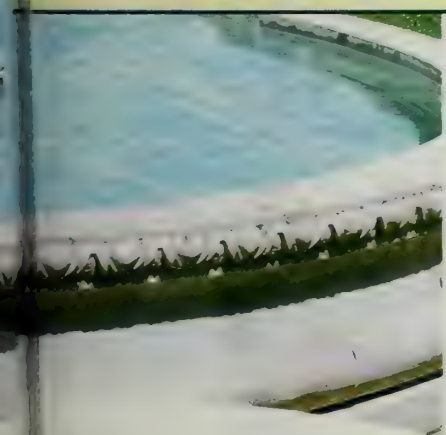

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— Access latest news and stock prices
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— PCMCIA slot for additional memory and applications

"Once users begin carrying the Envoy or Marco, I doubt they'll ever want to leave them at home."
Wired Magazine 6/95

"You will definitely let out an involuntary "Wow" the first time you send a fax or E-mail from your front yard using Envoy's wireless modem. The Magic Cap operating system makes it a no-brainer. A chimp could find his way around this interface."
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PC Magazine 4/25/95

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PC Week 7/30/95

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*Envoy and Marco communicators come bundled with RadioMail® and ARDIS℠ PersonalMessaging services software. Both devices operate on the ARDIS℠ nationwide wireless data network, which covers over 90% of all U.S. business activity.

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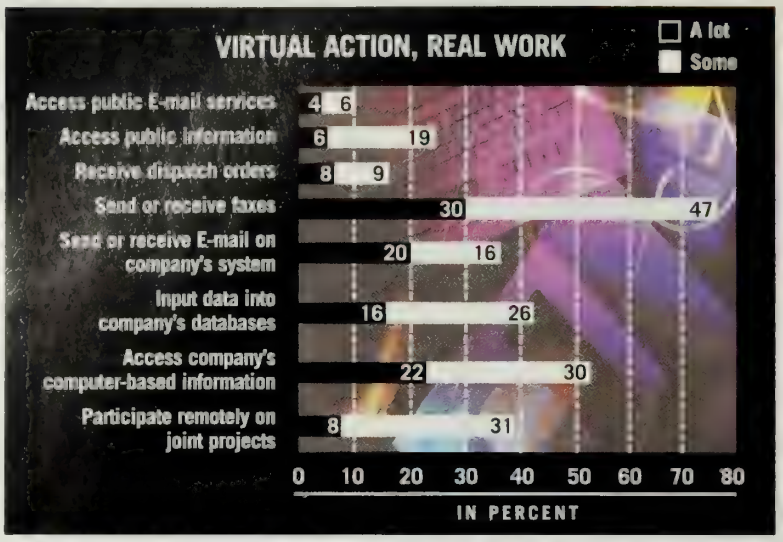
MOTOROLA

than six pounds. Each is sending and receiving at least 20 E-mail messages a day. Add a cellular phone/pager, because there are another ten phone-mail messages coming in.

Electronic mail was the start, but now this mobile professional wants to analyze, manipulate and communicate content. That means more needs: more memory, more bandwidth, more tools. So, mobile professionals not only have a portable computer, they probably have home computers as well – and have to update files from one to another. Work takes place at home, at client locations, at off-site branches, in airport lounges – in short, everywhere. In fact, mobile professionals are extremely productive. Whereas many of us tune out at the end of the business day, they work incessantly.

According to the Yankee Group's analysis, the white-collar version of the mobile professional spends 20% to 25% of business time away from the primary workplace and commutes primarily by auto. More often than not, these professionals are working in very flat organizations with a high span of control. This means that not only are mobile professionals



Source: Mobile User Survey, The Yankee Group

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One-Stop Solutions From AT&T

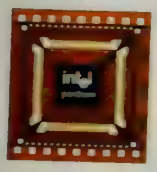
AT&T's Virtual Office Solutions Division has seen the future – and it has no wires.

Supplying the total needs of the virtual workforce is the division's goal. Its strategy: to promote location-independent, flexible working environments through the use of communications-based portable office technology.

"The result is enhanced value to the company, the worker and their customers," says Tom Villani, the division's director of marketing and business development. "Data that can be turned into usable information can be accessed rapidly. That benefits both the user and the company, and the customer benefits from more face-to-face time, which translates to better service."

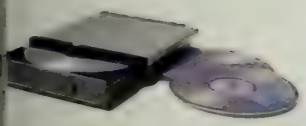
In order to create a single-stop solution for the needs of mobile field-force customers, AT&T has engineered a five-level, simple architectural model to build a virtual workplace environment: computer platform; communications platform; communications services; applications software; and specialized support services. The division has approved over 30 products for the virtual workplace, ranging from computers and off-the-shelf software to customized client server software, reseller/integrator packages and on-line services. Some are manufactured by AT&T, others by such other leading vendors as Xircom, Sun Disk, Xcellenet, Canon and Adaptive Strategies. Products are distributed by MicroAge and Inacom. To ensure that their virtual workplaces run smoothly, AT&T customers receive a one-number support system for all their approved product purchases.

GET PENTIUM.



Pentium™ Power:
The super-quick Pentium™ processor is designed specifically for notebooks and is engineered to perform 91% faster than 75MHz Intel DX4™ processors.

GET CD-ROM.



CD-ROM to Go:
The power of multimedia is all packed up and ready to go. The Satellite Pro™ 400CDT comes with an integrated, modular Quad-Speed CD-ROM drive that you can swap with the floppy drive in seconds†. Or plug in the floppy drive externally and use both.

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Satellite Pro™

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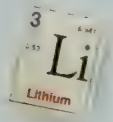
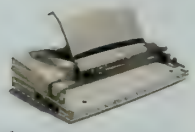


Lithium Ion Battery:
Toshiba's long-life Lithium Ion battery provides many hours of power while you travel.



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Now you only need one computer. The new, optional Enhanced Port Replicator provides two Type III PC Card slots, and allows one-step connection to your desktop environment.

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A built-in power supply means you don't have to carry a bulky external AC adapter. This slim power cord is all you need.

FEATURES:
400CDT:
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400CS*:
- 10.4" dia. color dual-scan display
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BOTH MODELS:
- 75MHz Pentium™ processor (2.9v)
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Call 1-800-457-7777 for more information or a dealer near you.

†400CDT [illegible] *The 400CS is sold at selected retailers as the 405CS with additional [illegible]

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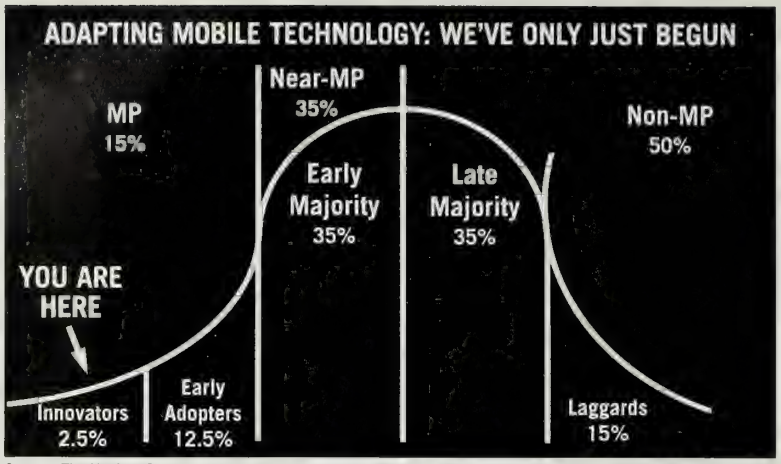
tion, as you would have to equip your professionals with computers anyway, though perhaps without as much memory or with modems. Cellular phones and pagers will run $1,500 a year, and are a necessity if your professionals are to do their jobs. And you will need some traditional office space, because even road warriors need to come in out of the cold and interact with their peers.



Source: The Yankee Group

MP: Mobile Professional

Life on the Front Lines

One of the key metrics of user satisfaction is how well traveling personnel are doing their job. While no one noticed, much of the support that business travelers used to have has evaporated. If traditional office-bound professionals are rapidly becoming a thing of the past, the secretary is only a fond memory. The days when every manager had one passed five years ago; today, if there is a secretary, that secretary works with 10 people. No, the road warrior stands alone.

The road warrior analogy is apt: You are sending your people into a hostile environment – the real world. They are on the front lines and have to carry their weapons with them. Fifteen yea companies discov that their sales pr sionals could be 2 more effective wi the simple additic voice mail. They have to pull off th at 4:30 p.m. to figl with the front offi for information at tomorrow's appoi ments. Five years ago, America discovered paging an cellular phones, and began to fulfill the promise of Tc Customer Service by never being out of touch. While tools helped solve of the equation, tl were still gaps. Tr technology, perso communications services (PCS), w make it possible t have the same ph number everywhe

In short, the o is the briefcase, ar that briefcase is g heavy. The mobile professional's eye always darting ar looking for source external power and secretly calculating unspoken fear: bat life. The road war travels on auxiliary

On the road, t car's cigarette ligh has become the u tous plasma. Cab drivers have beco used to temporar wired tentacles to back seat. On eve line flight you can the inevitable gro one personal com

Texas Instruments Makes Its Move

Texas Instruments is doing extraordinary things. Well established at the high end of the mobile computing market with its TravelMate™ series of notebook computers, the company has just launched a major extension of its product line. The result: exceptional value for a much wider range of mobile computer users.

"Texas Instruments has spared no detail in ensuring that our new Extensa notebooks deliver extraordinary performance and value," says Steve Lair, vice president and worldwide director of TI's Mobile Computing Group. "TI is the leader in innovative, high-performance notebooks, and we are applying those same standards of quality and excellence to our new line."

The Extensa series, available as of September 11, offers a combination of speed, weight, power, upgradability and affordability that should appeal to a broad spectrum of users. Three models are available, starting with the Extensa 450. A full-featured, 486-based notebook, it weighs only five pounds and offers brilliant color display at an estimated street price of $1799.

The Extensa Model 550 offers a 75MHz Pentium processor, PCI bus, L2 cache memory and user-upgradable hard-disk drive at a competitive price of $2499. At the top of TI's new line is its Model 550CD, which provides superior multimedia performance via integrated CD-ROM, 16-bit sound and Pentium processor for an estimated price of $2999.

after another slowly dies and auxiliary batteries give up the ghost. To the mobile professional, this is but one of the inevitable features of a hostile environment. But don't fear! Battery life will double in the next three years. Computers have gotten "smarter" and now conserve like a camel traveling h the desert. PDAs use very ower and keep you in touch. that's only half the problem. f the data that the profes- needs is locked in some ter across town or across the . The virtual office is only o to the point where the service or sales professional ireless access.

xample: A technical engineer tomer site needs the repair of a piece of equipment but ument resides on a computer es away. An insurance sales- wants to build a customized or a client she is meeting in a nt, but needs to plug in the s immediately and print out y on the spot. A financial needs to have an electronic automatically updated with- ing for" the data.

you run across any company that doesn't have a Total Total Customer Satisfaction ? There aren't any. But g these good intentions nable activities is difficult. key is having the right peo- the right information at the e. What good is a field ser- neer who is always behind , searching for data or parts or machine history, when you need that machine up and running? The solution to the problem is wireless communication. Wireless extends both the reach and the information and leverages expertise.

The Wireless Corporation

Today, we regard our white- and gray-collar mobile professionals as the exception, as the modern day cowboys or

Only COMSAT's New SatPhone Plus Package Adds Up To Such An Attractive Solution

The concept of one-stop shopping is redefined with **SatPhone Plus,** a unique new equipment **and** service package offered exclusively by COMSAT. ***Global communication was never so easy!***

SatPhone Plus packages a ready-to-use Inmarsat-M briefcase terminal with 1,000 minutes, fully terminated anywhere in the world—all for just $13,850. You may also choose our 500 minute package for $11,750*.

Inmarsat-M briefcase technology provides you with crisp, clear digital satellite phone service from anywhere in the world, to anywhere in the world. And with fax and data capability, you have a portable office that allows you to send and receive faxes and E-mail no matter how remote your location.

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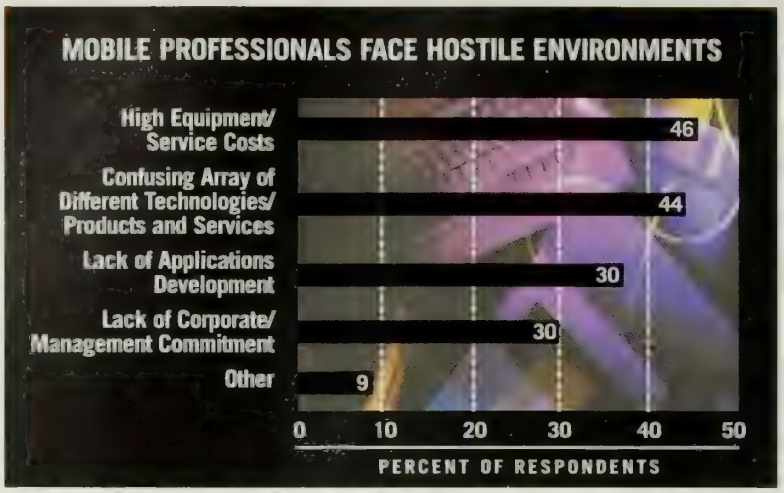
road warriors. But imagine the day when they aren't the exception, but the rule. Entire corporations can be composed of these armies, with just a few people at headquarters. The fact is, virtual offices lead to virtual corporations. Firms such as Amway and Avon have already discovered this. And the entire knowledge industry is susceptible to this wireless revolution.



Source: 1994 Yankee Group 100 Survey of Corporate Telecom/IS Managers.

In the end, wireless is a quiet revolution and it is happening everywhere. The early problems are giving way to solutions. This year, some $4.2 billion in venture capital will be raised, much of it going to advanced wireless technology and to battery research. Another $7 billion will go into building wireless infrastructure, such as PCS and low-earth-orbit satellite systems. Thirty-six million Americans now get their mail electronically, and they don't want to be among the electronically disenfranchised. Meanwhile, mobile phones, notebooks, PCMCIA cards, packet radio, packet cellular and wireless LANs are coming on the market at flank speed.

Most important of all – it works! Yes, the user has to be prepared for surprises and r[illegible]st actually read the c[illegible] instruction book. [illegible] cost is still not che[illegible] a the level of service somewhat low for [illegible] who can't survive [illegible] feet from their sup[illegible] person at corporat[illegible] headquarters. But [illegible] the early innovato[illegible] rewards are imme[illegible] the feeling of inde[illegible]dence gratifying. Their companies have found the exp[illegible] highly cost-effective and the effort more than worthw[illegible]

The real issue isn't whether this technology is avai[illegible] It is. And it's a given that performance will continue [illegible] increase while the [illegible] drops. The real iss[illegible] this: Will deployir[illegible] wireless technolog[illegible] to mobile white- a[illegible] gray-collar profess[illegible] improve corporate [illegible] performance?

There are only [illegible] ways to improve c[illegible] rate performance: [illegible] sales constant and [illegible] reduce expenses o[illegible] expenses constant [illegible] increase sales. The [illegible] less revolution is p[illegible] that it can do both [illegible] judicious use of th[illegible] substitution effect, [illegible] lower costs. By wi[illegible] spread deployment [illegible] can increase reven[illegible] And that, finally, is [illegible] best argument of a [illegible] unplugging and goi[illegible] wireless.

Stellar Communications: COMSAT's Satellite Telephone

One of the most exciting developments in the world of mobile computing is the proliferation of the briefcase satellite telephone. Inmarsat-M briefcase terminals provide crisp, reliable telephone, fax and data-capable service from anywhere in the world, to anywhere in the world.

This is especially exciting news for those in occupations that require travel to remote regions where there is no conventional telephone infrastructure or where it has been disrupted. This includes mining, construction and broadcast industries; humanitarian and relief organizations; and any international business traveler requiring global mobile communications.

COMSAT Mobile Communications currently offers a convenient, one-stop shop for briefcase satellite services with its SatPhone Plus Package. SatPhone Plus packages a ready-to-use Inmarsat-M terminal with 1,000 minutes, fully terminated anywhere in the world, for $13,850. COMSAT also offers a 500-minute package for $11,750. Both the 500- and 1,000-minute packages allow you to choose from either an Atlas Electronik or Thrane & Thrane Inmarsat-M satellite terminal.

You get the equipment, the communications service, and 24-hour-a-day, 7-day-a-week customer support—all in one phone call. COMSAT also provides quick delivery of your pre-commissioned, ready-to-use terminal.

WRITTEN BY THE YA[illegible] GROUP, BOSTON
DESIGNED BY LESLIE [illegible] SINGER DESIGN, NYC

VIDEO MAIN STREET

Computer-based video is finally real. Those who master it are going to invade consumers' psyches big time. By Andy Kessler

AL RUNS THE GENERAL STORE on Main Street. Took over the business from the old man, Big Al. Like his dad, he didn't understand technology beyond refrigeration, didn't like it and figured it didn't affect his life. This computer stuff was for kids.

Al didn't know what hit him when Wal-Mart moved to town. He wrote editorials in the local paper on predatory pricing by big bad Sam Walton, but in reality he got nailed by a technology-oiled distribution system. And you, no matter what business you are in, are about to be nailed by the next wave of distribution upheaval. Some lessons:

1 Commerce has always been a one-to-one experience. Buy my wares, try on my suit, let me paint your house, eat my tastefully prepared cheeseburger. Oh, yeah, and please have a nice day.

The advent of the mass media has changed all that, turning sales from a local one-to-one to a one-to-many experience. Michael Jordan (the basketball one, remember?) suggests your sneakers, not the funny guy in the referee costume who sells them to you at the Foot Locker.

2 Technology has a funny way of turning things upside down, and inside out. No one believes the 1984 Big Brother scenario anymore, the centralized power controlling all compute cycles. Distributed personal computers have taken care of that and created little cousins versus Big Brother. We are all related when interconnected. But it is exactly that installed base of 100 million or more PCs, networkable—already able but not yet networked—that form the basis of a new distribution system.

3 Technology has permanently transformed the landscape of business. Up until now, the transformation has all been inside companies. First, the back office was automated with mainframes and minicomputers, removing legions of clerks and low-skilled workers, allowing pricing leverage on products and services.

Now, front-office, white-collar tasks are being automated via desktop computers, local-area networks and client/server applications, at the expense of middle-level, do-nothing management. This has caused major eruptions in the financial services, insurance, even legal industries.

That is all child's play compared to what is about to take place as video moves onto a computer platform. More than the corner grocery store will be affected. The explosion of demand, the sales productivity from disintermediation, and major corporate restructuring will redistribute wealth to those with the vision of how to harness this technological transformation. Those who use technology to acquire customers, not just service them, will be the elite of tomorrow.

4 Video capability for computers, on-line networks and the Internet fabric are all combining to create a new interactive medium, one that transforms how businesses deal with each other, and how businesses actually reach consumers. Computer-based video is finally real in 1995. Go buy a copy of the CD-ROM "The 11th Hour" from Trilobyte. Besides a great game, you will see full-screen, full-motion video coming off your average PC...yeah, that same PC that last week played only postage-stamp video. Software is a wonderful thing.

This breakthrough is critical. For interactive media to take hold, the key ingredient is video. Why? Because it is the most natural of data types. I've never met Shaquille O'Neal, but I feel like I've known him all my life.

5 Video penetrates the human psyche (Alfred Hitchcock knew something about that), and as networks of computers deliver video, the value is in the delivery of the pitch. A $120 billion advertising industry exists to influence purchases by getting in consumers' faces. After the natural progression of print, radio and TV, now an interactive medium is next. Not just pushing toys for geeks, it is clear the professionals on Madison Avenue are coming. New products and services will appear to take advantage of this emerging medium.

6 The sheer power of influential video selling and network computing forms an unstoppable combination that will be In Your Face. Fight it, and you end up like little Al on Main Street, whining about evil corporate forces. But the trend can be your friend, so enjoy the ride. ■

"I need a fax/modem that always connects at the highest speed, no matter where I am."

Keith Hernandez,
Field Office Manager

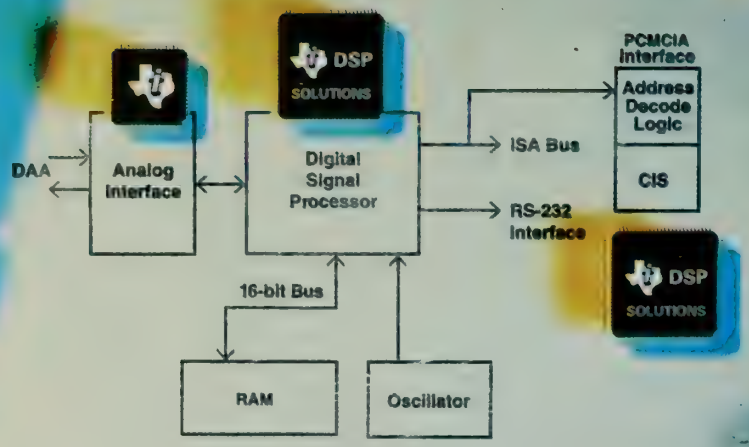
TI DSP SOLUTIONS

We're putting time on the side of our customers.

And theirs.

In the fax/modem market, 18 months could
product's lifetime. And an 18-second transmi
seems like an eternity when you're trying t
information in the field. So, modem manufact
are turning to Digital Signal Processing Solu
from Texas Instruments to keep up with cust
demands for increased performance. V
providing cost-effective designs that max
profitability, time after time.

In just a few years, fax/modem performanc
experienced a tenfold increase with every gene



"The key to the fax/modem market is to be flexible and to respond quickly to the demands of the customer."

Ross Manire,
Senior Vice President and General Manager
Corporate/Systems Division, U.S. Robotics, Inc.

fining functionality. And behind many of these vations, you'll find TI DSP Solutions. In fact, by com- ng expertise and jointly pursuing new technology, TI ed U.S. Robotics produce the first PCMCIA V.34 em. This breakthrough delivered a 2X increase in ormance with the software flexibility to incorporate features and standards. Now, U.S. Robotics can age their investment across their entire product line. nd as the multimedia market evolves, the trend will inue to add real-time capabilities like simultaneous e/data transmission, voice mail, CD sound and full-motion video. And, of course, TI will be there every step of the way.

From wireless communications to multimedia, TI DSP Solutions are changing the way we live, learn and work. Timeless, isn't it.

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TEXAS INSTRUMENTS

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THE ASAP INTERVIEW

AMERITECH CEO DICK NOTEBAERT

BY GENE KOPROWSKI

Outspoken Dick Notebaert, 48, cares little for the new communications technologies that fascinate futurists. This may seem a tad peculiar coming from the man who heads Ameritech, one of the nation's most profitable regional Bell operating companies. But Notebaert has a decidedly different focus. "Consumers don't care about technology. They care about what it does for them."

Notebaert ascended to the chairman and CEO position just last year, after a career as an executive in the Bell system. He sees Ameritech, a $12.6 billion concern that reported a 13% increase in earnings last year, as a communication-services marketing company. It only employs technologies that consumers have proven they want to use.

Already, Notebaert has fired most of the old-guard executives at the company, bureaucrats who didn't have modern marketing skills. An additional 11,500 employees took voluntary early retirement packages this summer. He's hired marketing types from Sony Corp. and packaged-goods companies, trying to get the Chicago-based RBOC ready to compete in the new economy. "I don't ever use those initials," says Notebaert, who won't even mouth the letters during the chat. A visitor must say it for him.

Ameritech furnishes traditional local phone service to 13 million customers and cellular service to 1.5 million users in the Midwest. But lately, Ameritech has crafted deals of a different kind. A pact with Walt Disney will help Ameritech enter the entertainment market, and prepare for eventual customer trials of video dial-tone service. The company recently received approval for its first four cable franchises. And an investment of $472 million in General Electric Information Services will test the potential of electronic commerce networks.

In Notebaert's office, in Chicago's Mercantile Exchange building, a PC is linked to a video network, which enables him to chat with fellow CEOs, such as Intel's Andy Grove in Silicon Valley, at any moment. A Mickey Mouse telephone is another prominent feature. Disney's Michael Eisner is a friend.

The bookshelves in the executive office are lined with works on modern

business strategy, consumer guides to the Internet and other interesting works, like *The Third Wave* by Alvin Toffler. Notebaert reads Prussian military strategy and books by China's Tzu Sun. He professes to reread Sun's *The Art of Warfare* every year, for the telecom industry is about to be at war.

Notebaert wants to compete—in a market free-for-all—and he wants an end to the monopoly status of the Bells immediately. No phase-in time is required. Notebaert is sure that demographic research, salesmanship and service will prevail.

Can Ameritech handle the intense heat from cable TV and wireless personal communications systems in the coming years? Why does marketing matter more to the company than new technology? Notebaert talks frankly to *Forbes ASAP*.

ASAP: In Nicholas Negroponte's new book, *Being Digital*, there's a passage where he talks about the Negroponte switch. All communications that currently come over wires will be transmitted over the air and all that currently come through the air will be sent over wires. Do you buy that idea? What does it mean for Ameritech?

NOTEBAERT: There are the laws of physics that have to be dealt with. For as long as I've been in the industry, 26 years, there has been this debate between the world of through-the-air versus the world of through-the-physical, whether it is copper, or some form of electronics or fiber optics. At any given point in time, one moves ahead, and the other moves ahead. When you add it up, though, the physical—glass—is the best. It has the greatest bandwidth. It has the most secure form of transmission. And it is the least susceptible to the environment. So when I look at it, and think of line-of-sight video transmission, and I think of microwave towers, my mind rushes to the limiting factors that that imposes on the consumer. If you look at the world through the eyes of the customer, they don't want to be changing technologies. In fact, they don't care.

ASAP: Not even for better technology?

NOTEBAERT: They don't *care* about the technology! Only engineers and futurists like George Gilder and Alvin Toffler think like this. The customer says whatever it is, I want to turn it on and it functions. With microwave, you have fading and ducting. You'll have that problem with other forms of through-the-air transmission. You have the problems of interference. With glass, if it is installed right, it is very dependable. Radio is only one direction. Video over fiber gives you enough bandwidth that you can go in both directions.

ASAP: Digital wireless is on a fast learning curve. Aren't you a buggy manufacturer, ignoring the competitive threat from automobiles?

NOTEBAERT: Wrong analogy—it's more like catalogs and department stores. You've seen this huge growth in catalog sales. But Nordstrom and Neiman are still doing great on their sales per square foot. We're talking over a long period of time—a long period of time. Not five years. Not 10 years. Sure, over time, voice-grade consumer traffic will migrate or grow in the wireless world. But how long did it take this country to get to the point where more PCs were shipped than televisions? Last year was the first year that happened. It took a long time. Moreover, as PCs need a lot more processing power and move to 100 megahertz or more, more and more bandwidth will be needed. Radio is going to have to find a way to deal with that. The people who predict that wireless is suddenly going to take over obviously have no concept of what it is going to take to clear the bandwidth, which is already occupied, get site selection and put antennas and transmission towers up, and then have a common technological platform so wherever you go in the U.S., it works.

ASAP: Let me ask you about another competitor—cable. Does the so-called two-wire solution, with cable and telephony competing for customers, make sense?

NOTEBAERT: This has been a struggle for policymakers and legislators. Our view is that in a high-density market such as Chicago, there is business for

two wires. There may even be an opportunity for three if you think about direct broadcast satellite.

ASAP: You have some deals with Hollywood and with General Electric. What do you hope to accomplish there?

NOTEBAERT: The General Electric deal is about electronic commerce: the whole idea of being able to connect diverse businesses, over networks, so that they get the advantages of vertical integration, while still being horizontally distributed. It is a high-growth business—greater than 30% per year.

ASAP: What about Disney?

NOTEBAERT: We're with Mickey for a specific reason. The Disney Company is the premier consumer marketer in the country today. Disney knows how to touch the customer. Our artistic side is our weakness. Communications technology is our strong point.

Now, to get into the home, you have to have interactivity. But you also have to have entertainment. It is the ticket to entry. So we joined into a $500 million joint venture with Disney and other companies with the idea of acquiring, packaging and creating content directed toward the consumer. This will be packaged with on-line shopping and banking. We're turning the TV from a box to a tool. When you transform it, you redefine it. People will use it more.

ASAP: How is this different from the deal between Rupert Murdoch and MCI?

NOTEBAERT: I've heard a lot of talk there, but haven't seen any money move yet. That's the difference.

ASAP: With these new ventures, is there ever going to be a day when Ameritech is not a telephone company anymore?

NOTEBAERT: We're not a telephone company now! I do not use that expression. I don't use those initials that start with an "R."

ASAP: How far away is Ameritech from getting the broadband network to be the way you want it to be, so you can deliver these services?

NOTEBAERT: We will have passed six million homes by the year 2001. We have based that on market acceptance and the demographics of the market. We don't intend for this to be ubiquitous. We'll do this where customers tell us they want us. I've watched one piece of technology after another fail because the technologist was driving it. Everything I've seen done where the customer is driving it has been a winner. You have to follow your customers.

> *"We have government trying to pick winners and losers. How many industries do we have to watch, how many countries, like the Soviet Union, do we have to watch, before we will trust the consumer?"*

ASAP: What customers will drive broadband development?

NOTEBAERT: The customers who will drive it will have used interactivity at work until it has become second nature. It is the customer who says they need more than television. They are hard-pressed for more alternatives. They want to move around electronically. That group will continue to grow, just as the dispersion of cellular phones has grown. It will cascade from medium-size to small businesses then to consumers.

ASAP: But if I'm the only person on my block who wants broadband capability, how do you deliver it to me?

NOTEBAERT: We look at the density, apartment by apartment. Street by street. We run the demographic mixes and the buying patterns. This is marketing research. If you are just one customer and it costs $10,000 or $20,000 for us to deliver it to you, are you willing to pay? If I have a neighborhood that wants it, or a building that wants it, and we can spread the costs, you will want it. But we are *not* subsidizing. For me to put an asset in the ground and have it lie idle is nonsensical.

ASAP: Telecom is a very heavily regulated industry. If Newt Gingrich and other legislators said that starting tomorrow, there would be no restrictions in telephony, that there's a competitive free-for-all, how would you react?

NOTEBAERT: My dreams will have come true! I think a free market is great. Ameritech does not need protection. Ameritech needs freedom. We've stepped forward and embraced competition. We'll take everybody on. We have filed with the Illinois Commerce Commission to unbundle our lines. Our competitors can come in, pick this part of our network or that part of our network and we will provide it to them on a nondiscriminatory basis. That means we'll charge them the same price we charge ourselves. We'll provide them the same information we provide ourselves. We're willing to sell you the parts to build your own network. You can put your own brand name on it.

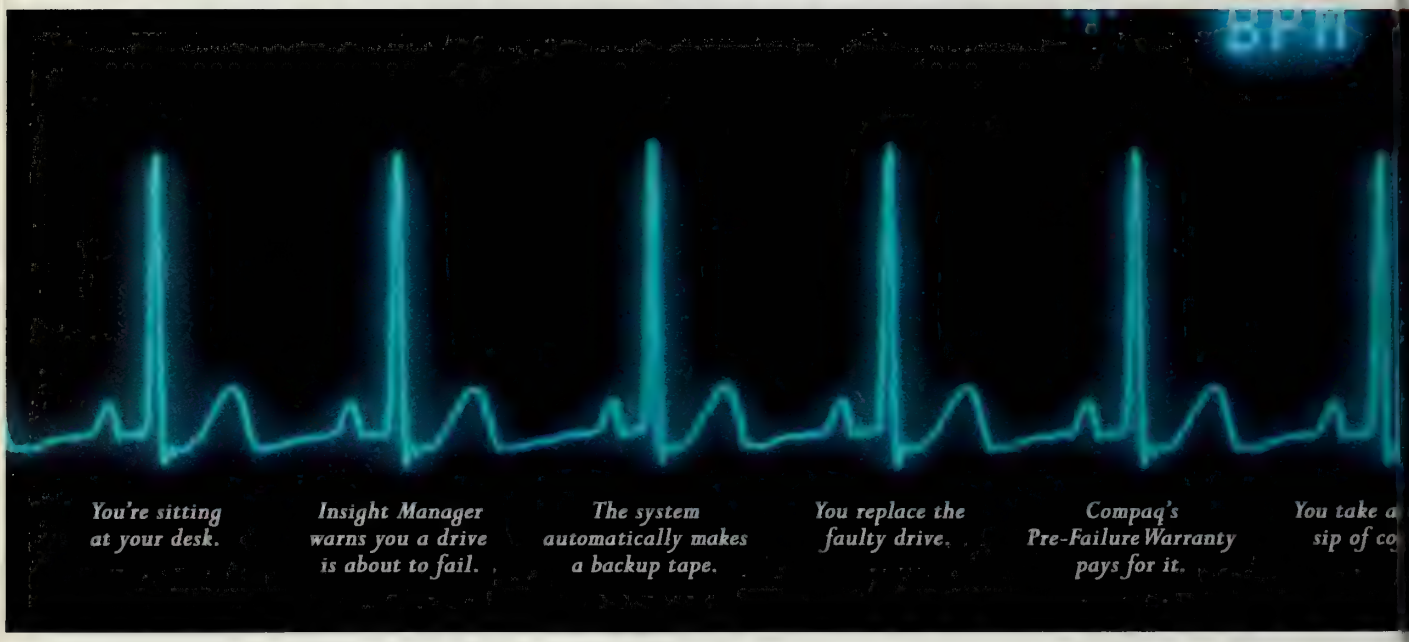
ASAP: Assess the current state of regulation in telephony.

NOTEBAERT: This is a mature regulated industry, but an immature deregulated industry. We need to change the 1934 Communications Act, which was great in the world of gooseneck phones and rotary dialing, but really doesn't work in the world of flip phones. We have government trying to pick winners and losers. How many industries do we have to watch, how many countries, like the Soviet Union, do we have to watch, before we will trust the consumer?

ASAP: What do you think of the push in Washington for so-called universal service for the new telecom?

NOTEBAERT: The government has no business doing that. Universal service is defined as a lifeline, something for an emergency. I don't think watching MTV is universal service. Internet is not universal service. I think there are people in the administration who would like to go back to the 1960s. ■

COMPAQ


BPM
You're sitting at your desk.
Insight Manager warns you a drive is about to fail.
The system automatically makes a backup tape.
You replace the faulty drive.
Compaq's Pre-Failure Warranty pays for it.
You take a sip of co

IntelliSafe Hard Drive
Pre-Failure Warranty
Proactive Tape Backup
Fault Management
AssetControl
Solutions Partners Program
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OVERCLASS RULES

Antimeritocracy critics may carp, but America's new elite is larg and growing—and that's good news. By Virginia I. Postrel

ALL CAPITAL IS VULNERABLE to confiscation and redistribution, to seizure in the name of fairness or popular will. Human capital is no exception. And for more than a decade, an intellectual campaign has been building for the confiscation of human capital.

That campaign broke into public view with *Newsweek*'s July 31 cover story on "The Overclass," whose title comes from a slippery term coined by *New Republic* Senior Editor Michael Lind. This newly discovered class—highly educated and generally highly paid—is the product of three basic trends: Elite universities, notably the Ivy League, started letting in more smart middle-class (or even poor) kids and stopped excluding Jews, women and other non-old boys' network types. Once-closed professions, especially finance, law, politics and national journalism, followed suit. And the economic rewards for what Secretary of Labor Robert Reich calls "symbolic analysts" and what Peter Drucker, less pejoratively, calls "knowledge workers" rose substantially.

Every society has an elite. But this one is huge—millions of college-educated professionals—and, for the most part, unapologetic. Both its size and its attitude upset egalitarian social critics.

"It's one thing to have an unequal distribution of income," writes Lind's colleague Mickey Kaus in *The End of Equality*. "It's another to have that same distribution of income rigorously based on schooling and skills. The pay-for-skills trend lends all income differences, small and large, a nasty meritocratic bite."

Certainly, it is dangerous, and incorrect, to equate what the market values at a particular moment with some Platonic form of "merit." Market processes simply express the intersection of diverse tastes and scarce talents. But what, exactly, is so "nasty" about a meritocracy? What is so evil about an open system that rewards skills?

Perhaps it's simply too open. In *The Revolt of the Elites*, the late social critic Christopher Lasch wrote that "the real objection to meritocracy [is] that it drains talent away from the lower classes and thus deprives them of effective leadership." He was also none too friendly to uppity women, seeing in feminism no more than yuppie greed: "Female careerism provides the indispensable basis of [the professional class's] prosperous, glamorous, gaudy, sometimes indecently lavish way of life."

That stifling the talents of people born poor or fem might be wrong, as well as economically foolish, was concern of Lasch's. In *The True and Only Heaven*, he ce brated the culture of the parochial, anti-intellectual, an ambition, anti-achievement Charlestown section of Bost A self-proclaimed populist (despite his snooty obsession wi the evils of shopping malls), Lasch made a virtue of accep ing one's place.

But the antimeritocracy crusade isn't mostly about kee ing poor girls down. It's about Bill Gates—and not becau he's worth $13 billion. In Kaus and Lind and Lasch's ide world, Bill Gates simply would not have happene Antimeritocracy polemicists may disagree on many issu but on one public policy all concur: America made a terrib mistake in 1973 when it ended the draft and told you people that their lives were their own. Three years after th fateful decision, Gates dropped out of Harvard to work fu time for Microsoft.

From Kaus to Lind to Lasch to *Newsweek*'s Jonatha Alter to philosopher Michael Walzer, every antimeritocra polemicist wants to see universal, mandatory national ser ice: a peacetime draft, every young man and woman toting rifle or cleaning bedpans in a nursing home. "For soci egalitarians...national service is valuable precisely because would force Americans to pause in their disparate career tr jectories and immerse themselves in a common, publ enterprise," writes Kaus.

The point isn't to fill jobs that need doing; it's to confi cate human capital, and the precious years young peop have to build it: no late nights in the library or the lab; r long hours in the gym, the theater, the school newspape No fooling with computers, no honing political argument no traveling the world. No working at a job for which the get paid. No Larry Bird, no Magic Johnson; no Quenti Tarantino, no John Singleton; no Michael Dell, no Ma Andreessen.

Squandering such talents, and the lives of millions lesser-known but nonetheless productive people, is a terrib price to pay to satisfy a few writers' egalitarian fancies. On an Overclass could imagine such a thing.

Virginia I. Postrel (Vpostrel@aol.com) is editor of Reason.

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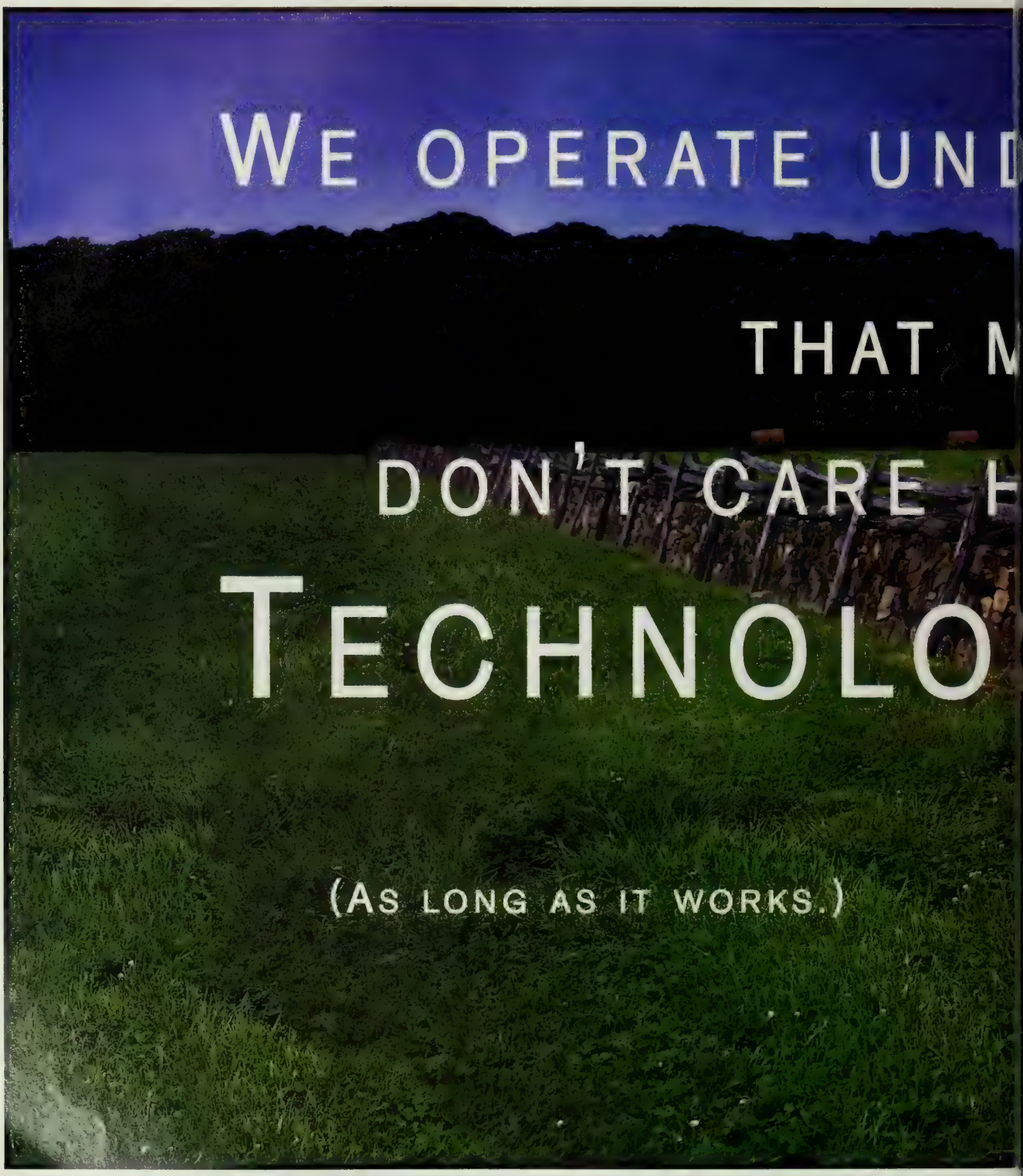

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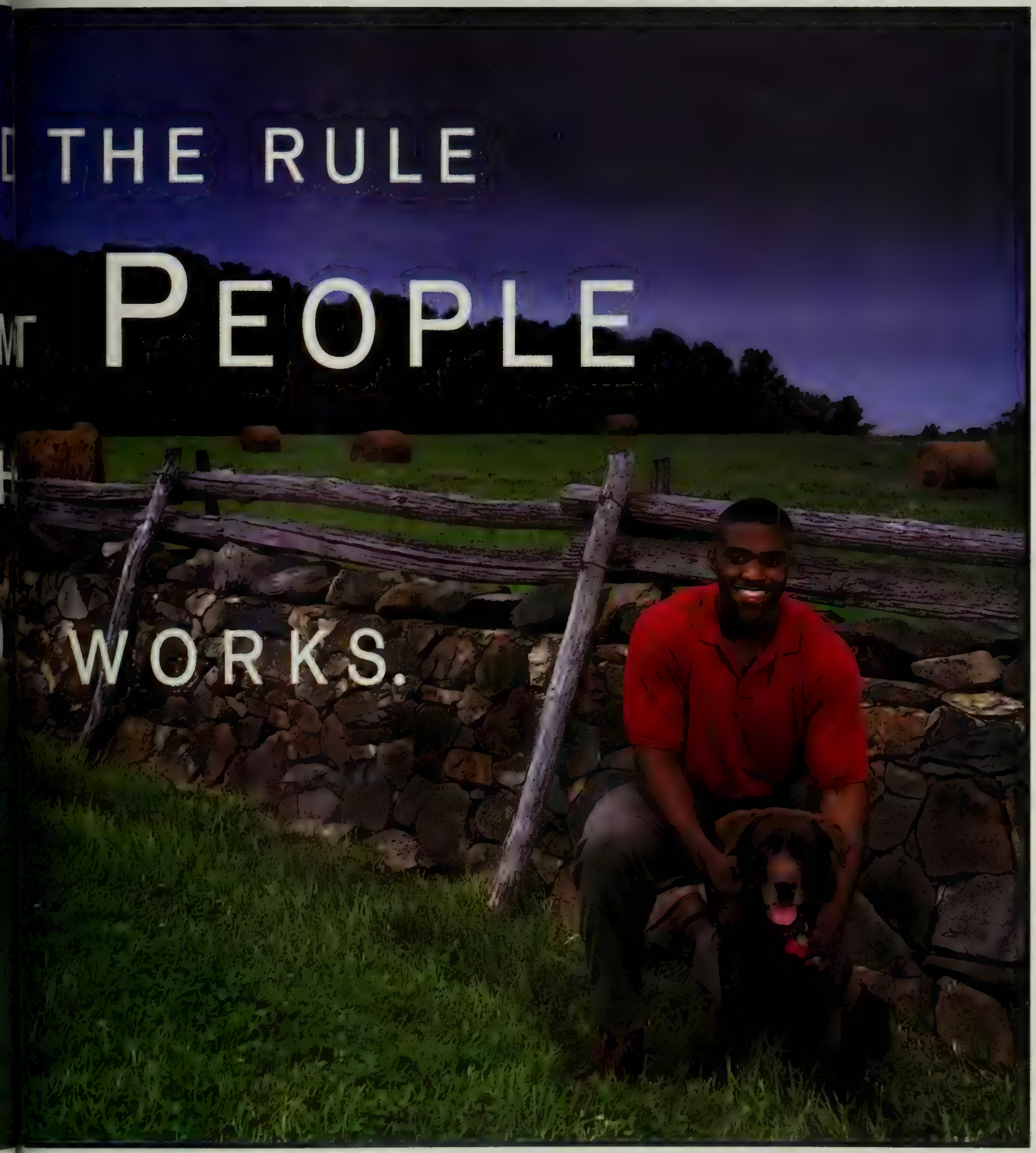
Karl L. Brunson presents ideas in California from a phone modem in Manassas, Virginia. Which he finds much easier than hopping on planes all the time.



IT'S AMAZING

GTE

WHAT WE CAN DO
TOGETHER.™

Bill Gates
Paul Allen
Steve Ballmer

MICROCHIP WEALTH

NEVER HAVE SO MANY MADE SO MUCH IN SUCH A SHORT PERIOD

WELCOME TO *FORBES ASAP*'s first annual examination of wealth in the Microprocessor Age. Over the next several pages, every profile and financial proctoscopy performed will be on a person who owes their living and worth to Intel's key invention of 24 years ago.

We stuck to a narrow description in assembling our story. For example, in our Top 20 rich list, we name only shareholders of companies launched since 1971. The exception is Gordon Moore of Intel, founded in 1968; Intel invented the microprocessor, after all.

Missing are David Packard ($5.5 billion) and William Hewlett ($3.2 billion), who started their company in 1939. A good case could be made for leaving Dave and Bill on our list, of course. Today, their $38 billion namesake derives nearly all of its revenues from microprocessor-based products; HP is the world's leading PC printer company and also one of the world's fastest-growing PC makers. Indeed, 92% of HP's market value has sprouted since the microprocessor's appearance in 1971. Surely, HP has adapted better to the microprocessor revolution than anyone else. But it was not founded with the chip in mind, so we left its historic founders off our list. Ditto the hugely successful Motorola chairman Robert Galvin ($1.2 billion), and Electronic Data Systems founder Ross Perot ($2 billion).

Left off too were telecom emperors, like Craig McCaw ($1.1 billion) and John Malone ($560 million), who compiled their wealth from analog technologies. Nor do we include so-called new economy barons, like Rupert Murdoch ($3.3 billion), Ted Turner ($1.9 billion), Sumner Redstone ($4.8 billion) and Steven Spielberg ($700 million). We may change our minds and include these impact players as the digital age rolls on.

How did the rich get that way? It's easy to say vision, but if you mean that word broadly, forget it. Rather, the winners peered through small windows, saw huge inflection points and determined right then and there to throw the weight of their assets, energy and I.Q. at perishable opportunities. Bill Gates gambled away a Harvard degree as soon as he saw a kit computer. Larry Ellison left his job the minute he grasped the implications of an IBM invention, structured query language. David Duffield mortgaged his hillside house. Scott Cook fought off bankruptcy. Bold actions.

Another trait: They stayed cheap. Steve Ballmer is so fearful of spoilage that early in the going he laid down a Microsoft rule that everyone has to fly coach, rent compacts and stay at midlevel hotels—this in a company of 2,000 millionaires. Craig Benson and Bob Levine pay themselves $52,000 a year and buy only used furniture. Ray Noorda drives a pickup. Cook takes cheap backpacking vacations. Gordon Moore lives in a middle-class suburb. Charles Wang quickly snuffs out the merest hint of overstaffing. To reach this list of tech tycoons, you can't let the venture capitalist dilute you early. Cash is king.

Trait three: long hours. You won't find too many loafers in this bunch. Call Gates on his direct number at 9 p.m. on Friday and you'll probably get him.

Trait four: they're all a bubble off plumb. This kind of exuberant diversity of spirit is precisely why microchip tycoons became who they are, and why *Forbes ASAP* chooses to celebrate them.

IS THERE ANOTHER BILL GATES up ahead? Probably not. As Gates himself told us, the big opportunities lie in imperfect markets. Tomorrow's gazillion networked PCs will leave few pockets of ignorance. Anyone with a winning formula will be quickly cloned. Proprietary footholds will become small and slippery.

But *Forbes ASAP* does see a great climate in which to build modest fortunes and to fashion interesting jobs. If you can't accumulate a billion-dollar stash, you might more easily hit $100 million in the years ahead, or certainly $10 million. Failing that, you'll have a better chance than ever at writing your own career ticket and living the life you always dreamed about.

THE TOP 20 WEALTHIEST

1,2&5

Bill Gates
Chairman and CEO
Microsoft
Stock Held:
141,107,100
Value: $13.8 billion

Paul Allen
Director and
Cofounder
Microsoft
Stock Held: 55,748,020
Value: $5.5 billion

Steve Ballmer
Executive V.P.
Microsoft
Stock Held: 29,952,764
Value: $2.9 billion

BACKGROUND
GATES

Discovered computers in 7th grade at Seattle's Lakeside Prep...Scored a perfect 800 on math SATs, but dropped out of

Harvard in his junior year...same year teamed up with friend Paul Allen to write a computer language program for a kit computer (Altair 8800) that each had read about in the January 1975 *Popular Electronics* (see below) ...Microsoft went public in 1986 at a $525 million valuation; today worth $56 billion. Long mislabeled a nerd, Gates is a shrewd operator, among the top tycoons ever... Voracious reader, preferring historical biography (Napoleon, FDR, Henry Ford)...runs Microsoft by

e-mail...values IQ, spirited argument and bold action... typical workday is 10 a.m. to 10 p.m.

KEY MOMENTS
GATES

Had vision of software's monetary value in the 1970s... jujitsued favorable royalty agreement from IBM in 1981, which permitted Microsoft to tap clone PC makers (then barely in existence) for a royalty... ...a master leverager...so far, has won all important bouts with the Justice Department.

VULNERABLE
GATES

Industry shifting from one era, standalone PCs, to another, the Internet. Conventional wisdom says winners from one era often get stuck when new era dawns; Gates best bet to prove the exception... growing challenge is how to motivate employees; some 2,000 of 17,800 are millionaires.

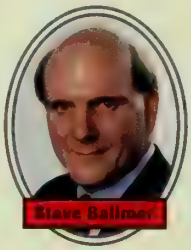
BACKGROUND
ALLEN

Befriended the 13-year-old Gates at the Univ. of Washington computer

center. Afflicted with Hodgkin's disease and left Microsoft in early 1980s. Kept stock, board seat and friendship with Gates...dabbles in investments and toys: owns Portland Trail Blazers basketball team, Jimi Hendrix memorabilia and investments in several technology companies... one, Starwave, espies big opportunities in digital sports entertainment

KEY MOMENTS
ALLEN

In 1975, working nights at the Harvard computer labs, he and Gates hacked a version of Basic for the Altair 8800...Allen then



flew to Albuquerque and demonstrated it successfully to the Altair makers while Gates waited nervously back at Harvard... in 1980, located an operating system called 86-DOS, purchased it for $50,000, changed name to MS-DOS, and let Gates license it to IBM.

VULNERABLE
ALLEN

Wealth dependent on Microsoft market value, over which he has little control...outside dabblings lack discipline.

BACKGROUND
BALLMER

Harvard Fox Club crony of Gates...After a mediocre career start at Procter & Gamble, he joined Microsoft in 1980 for $50,000 a year, outraging older employees...the Gen. Patton of Microsoft's aggressive culture and cheap ways; he insists that everyone has to fly coach, including Gates...loud and profane...fond of coining battle acronyms like BOGU ("Bend over, grease up").

KEY MOMENTS
BALLMER

Managed seminal IBM relationship to Microsoft's advantage in early 1980s... became billionaire by putting money where his mouth is: by supplementing his options with massive purchases of Microsoft shares at market prices.

VULNERABLE
BALLMER

Aggressive style has alienated many in the PC industry and attracted Justice Dept. attention.

3

Larry Ellison
Chairman and CEO
Oracle
Stock Held:
100,954,691
Value: $4.2 billion

BACKGROUND

From family of Russian immigrants, named after Ellis Island...Grew up in Chicago's South Side, raised by relatives, dropped out of Univ.of Chicago. Moved to Silicon Valley in '70s...Keeps pondful of koi, lives by samurai code. Fitness and health food fanatic...Jack Kemp serves on board.

KEY MOMENTS

Started Oracle as a consulting business, developing database products at night...with positive cash flow early, he didn't need

venture capital...Exploited hole in IBM product lineup...gambled, almost recklessly, on fast growth...stock collapse in 1990 was followed by SEC investigation that found no evidence of fraud, but Ellison, shaken, made rapid adjustments, even removing himself as chairman for three years.

VULNERABLE

Pricey database products like Oracle's could "commoditize" in the future.

4

Gordon Moore
Chairman
Intel
Stock Held: 45,996,726
Value: $2.9 billion

BACKGROUND

Worked with William Shockley, coinventor of the transistor...at Shockley Labs met Robert Noyce (d. 1990)...Soon tiring of autocratic Shockley, the pair cofounded Fairchild Semiconductor in 1957. Fairchild's flaw: stinginess with equity to key players

like Moore; Fairchild spawned some 150 companies... the best in 1968 when Moore and Noyce each anted up $245,000 and formed Intel.

KEY MOMENTS

In 1965, he proposed Moore's Law, stating that transistors on silicon chips would grow exponentially, thus predicting the pace of computer evolution up to the year 2010 or beyond...appointed Andy Grove, the industry's best manager, Intel chief in 1987.

VULNERABLE

Next-generation RISC chips and streamlined fabs could dent Intel margins...who follows the footsteps of Moore and Grove?

Robert Lavine
C.B.

Charles Wang
M.M. '95

Angered by high prices of Texas Instrument's PCs, a customer named Ted Waitt started Gateway 2000 in 1985 as a two-person operation in a farmhouse.

6 & 11

Ted Waitt
Chairman and CEO
Gateway 2000
Stock Held: 39,377,120
Value: $1.1 billion

Norman Waitt
Retired CFO
Gateway 2000
Stock Held: 22,379,000
Value: $602 million

BACKGROUND
Ted and Norman brothers, sons of Iowa cattle rancher...Founder Ted chain smoker, thinning hair, ponytail—a cool dude from the nation's cornbelt...Angered by high prices of Texas Instruments PCs, customer Waitt started Gateway in 1985 as a two-person operation in a farmhouse in Sioux City. Took company public in

1993. Likes to ham up Gateway 2000's cow image in ads...Older brother Norman joined to manage finances, left company in early 1990s over sibling differences.

KEY MOMENTS
Located Gateway 2000 across the river in North Sioux City, S.D., for tax purposes...has kept wages and overhead skinny in a commodity business... stayed focused on mail order, targeting savvy PC buyers...has cornered the "hot box" image...knows where Gateway's bread is buttered: an unswerving Intel and Microsoft loyalist.

VULNERABLE
Gateway is in a low-margin business that punishes severely for late products...superstores, shopping channels and Internet threaten mail order...bad reputation for service, but has improved recently.

7

Jan Davidson
Founder/President

Bob Davidson
Chairman/CEO
Davidson & Assoc.
Stock Held (by couple and their three children): 12,744,399
Value: $691 million

BACKGROUND
Wife and husband started their own company in 1982 to publish educational software that Jan, a former college instructor, had developed for her students... First product, Math Blaster, was an immediate success... talked husband into leaving high-paid job and becoming her chief executive...Riding a hot market with award-winning titles, the company's revenues hit $87.9 million in 1994.

KEY MOMENTS
Took $6,000 from their kids' college fund to start the company...Jan's academic background helped both in developing the titles and in opening doors to school market.

VULNERABLE
Runs the risk of overextending itself with too many acquisitions, products and projects...lofty valuation.

8

Michael Dell
Chairman and CEO
Dell Computer
Stock Held: 8,757,051
Value: $651 million

BACKGROUND
Started Dell in 1982 while a freshman at the University of Texas...to

orthodontist father's chagrin, dropped out when company got big.

KEY MOMENTS
Picked the right enemy, Compaq, and exploited its then-overengineered products and high margins in the late 1980s...developed rapid-response telephone order system...pioneered just-in-time assembly...has survived youthful mistakes and bad executive hires, and reversed 1993-94 slump in laptops.

VULNERABLE
Pressure from Gateway 2000 and superstores; revitalized Compaq...little margin for error in fast, low-margin field.

9

David Duffield
Chairman and CEO
PeopleSoft
Stock Held: 8,598,398
Value: $610 million

BACKGROUND
Already successful from two database companies, he mortgaged his expensive hillside home in 1987 to finance PeopleSoft... makes "enterprise software" that bypasses mainframes and runs on PC networks...white-haired, easygoing, walks around and talks to staff...no secretaries.

KEY MOMENTS
Saw client/server possibility when mainframe goliath IBM was at peak...shrewdly got foothold with corporate purchasers by making products for human resources, a "non-mission-critical" area for which buyers were willing to test client/server...now Duffield is moving into accounting, inventory management and manufacturing.

VULNERABLE
As PeopleSoft grows, it will butt heads with killer competitors like Oracle,

SAP...Is Duffield tough enough?

10 & 15

Robert Levine
CEO
Cabletron
Stock Held: 11,168,054
Value: $605 million

Craig Benson
Chairman and COO
Cabletron
Stock Held: 9,645,049
Value: $528 million

BACKGROUND
Started humbly, providing cables for networking... both are famously cheap,

insisting that Cabletron employees buy used furniture and double up at Days Inns...Benson once boasted he feeds his family spaghetti dinners of noodles and watered

ketchup...Levine, a weight lifter, wears short-sleeved shirts to show off muscles...each takes a $52,000 salary.

KEY MOMENTS
Never deviated from formula: Stay cheap, listen to customers, build it fast.

VULNERABLE
Company's current market value is $4.2 billion... If that falls, employee faith in getting rich does, too. Cabletron will then have to pay larger salaries, inflate overhead, etc....rivals Bay Networks, Cisco and 3Com all well managed...PC king Compaq wants in.

12

Charles Wang
Chairman and CEO
Computer Associates
Stock Held: 11,949,921
Value: $593 million

BACKGROUND
Father was a justice on the Shanghai Supreme Court...family fled to the

U.S. during Mao's reign, when Wang was 18...has built CA through internal development and acquisitions, buying up struggling software companies for their customer lists and technology, then

In 1982, Michael Krasny was selling cars when he tried unloading an old IBM PC in the newspaper. It worked, fueling an idea for a discount store empire.

trimming staff...vibrant, cocky, when angry throws popcorn at staff.

KEY MOMENTS
Wang has steered clear of the glamour and hype wing of the PC industry, concentrating on mainframe software...zigs when others zag.

VULNERABLE
Wang is larger than life; like Microsoft without Gates, Computer Associates would suffer without him...recently broke bottom-fisher form and paid a whopping $1.8 billion for Legent—the beginning of hubris?

13

Jim Clark
Retired Founder
Silicon Graphics
Founder/Chairman
Netscape
Netscape Stock Held: 9,340,000
(plus SGI wealth: $70M est.)
Total Value: $550 million

BACKGROUND
Grew up fatherless in northern Texas panhandle...self-described hoodlum, dropped out of high

school, joined military, passed high school equivalency test, rose through college to become Ph.D....at U. of Utah, worked on 3D graphics. While a Stanford prof, started Silicon Graphics in 1982 with vision of desktop machines displacing supercomputers for 3D simulation...Silicon Graphics a leader in Hollywood special effects...left Silicon Graphics in 1993 over tensions with CEO Ed McCracken...founded Mosaic (later renamed Netscape) in 1994, recruited Marc Andreessen and Jim Barksdale, took company to biggest IPO in history in August 1995.

KEY MOMENTS
Rare visionary who acts...first at Silicon Graphics (3D), then at Netscape (Internet)...after Silicon Graphics he considered, but fortunately avoided, a plunge into computer games and entertainment...gave away browser, setting standard.

VULNERABLE
Netscape is valued at $2.4 billion off only $16 million in revenues... profitable business models are not yet apparent.

14

Ray Noorda
Retired CEO/Founder
Novell
Stock Held: 28,364,144
Value: $532 million

BACKGROUND
In 1982, at 58, revived dead-end PC maker to $1 billion leader in personal computer networks...a western hero with craggy face, pickup truck and blue jeans... Stepped down in 1994 amid rumors of declining attention span.

KEY MOMENTS
In mid-1980s took on industry-leader 3Com and won...from there, steadily extended lead in booming PC network market.

VULNERABLE
Failed to recruit strong management team...left

Novell in 1994 with critical challenges ahead: assimilating WordPerfect and fending off Microsoft's encroachment onto networks.

16&17

Bruce Bastian
Cofounder
WordPerfect
now Novell shareholder
Stock Held: 25,678,490
Value: $494 million

Alan Ashton
Cofounder
WordPerfect
now Novell shareholder
Stock Held: 22,552,298
Value: $437 million

BACKGROUND
Inspired by the data structures of music and marching bands, Ashton, prof, Bastian, student at BYU, wrote word processing program for Data General computer... adapted to PCs, hit $1

million revenue in 1982, $452 million in 1990...acquired by Novell in 1994.

KEY MOMENTS
When early leader WordStar stumbled, WordPerfect seized the day.

VULNERABLE
Missed turn from DOS to Windows, lost ground to Microsoft Word, has been playing catchup since...Ashton and Bastian's wealth now in the hands of Novell.

18

Scott Cook
Cofounder/Chairman
Intuit
Stock Held: 8,007,810
Value: $400 million

BACKGROUND
Crisco brand manager at Procter & Gamble, then technology and banking consultant with Bain & Co....left the nest and launched Intuit in 1983 with Stanford program-

mer Tom Proulx... Fended off Microsoft in personal finance software niche...DOJ pressured Microsoft to drop takeover...Intuit stock dropped, then rose again to takeover prices.

KEY MOMENTS
With no store distribution, Cook marketed through banks...obsessive about customer research...aligned with PC home sales boom.

VULNERABLE
Flaws in recent tax-product offerings...Microsoft, spurned, may become vengeful competitor... increasingly dependent on picking the right banking and credit card partners for on-line products.

19

John Morgridge
Chairman
Cisco Systems
Stock Held: 5,390,830
Value: $356 million

BACKGROUND
Brought in by VCs early to give academic-founded company a veteran hand at the wheel.

KEY MOMENTS
Assuring to Wall Street during IPO...hired great salesforce...met numbers keeping valuation high.

VULNERABLE
High multiples (30 P/E; 7 market cap/sales)...will

soon face pressure as Compaq, et al. barge in.

20

Michael Krasny
Chairman and CEO
Computer Discount Warehouse
Stock Held: 5,930,000
Value: $308 million

BACKGROUND
Back in 1982, the 29-year-old Krasny was working at a family car dealership in suburban Chicago when he tried unloading an old IBM computer through the newspaper...Sold it; began dreaming of selling other things the same way. Now, CDW is a $413 million direct marketer of hardware, software and peripherals.

KEY MOMENTS
Bootstrapper, no VC money...early discipline lingers: CDW has impressive sales per

employee, gross profit per employee and working capital turnover.

VULNERABLE
As the Internet blooms, CDW risks losing its price advantage.

Note: stock prices from 8-15-95.

Michael Dell

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VISIONARIES
WIZARDS
DREAMERS
PIONEERS
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Rich Man, Poor Man

IF SOMEONE HAD TOLD Hazelle Clark in 1961 that her middle son, Jim, would be worth $550 million or so by the summer of 1995, she surely would have fainted. The single mother of three—who had divorced her husband, remarried him and then divorced him again—was supporting her family, in Plainview, Tex., on $300 a month. And **Jim Clark**, then 16, was a high school dropout.

Not that the rough start hurt him. Clark joined the Navy at 17, finished high school, then college, married, and had two kids by the time he was 25. He supported the lot on $300 a month. He eventually earned a Ph.D. in computer science, and taught at Stanford University. Then he founded Silicon Graphics Inc. in 1981 and Netscape Communications Corp. in 1994, and made himself a fortune. "My guess is that most successful managers grew up in fairly stable environments," he says, "and most successful entrepreneurs had some type of imbalance in their childhood."

Oracle System Corp.'s **Larry Ellison** would probably agree. The billionaire was abandoned by his unwed mother and raised by his great-aunt, Lillian, and great-uncle, Louis, a Jewish immigrant from Russia who fashioned his name after Ellis Island in New York. The elder Ellison, who raised his family modestly on Chicago's South Side, failed in real estate and in a congressional bid. Ellison realized he was a member of the working class when the parents of his high school sweetheart told him he was too poor and of the wrong station to marry her.

High tech's new royalty has attended the school of hard knocks or dropped out of Harvard, chewed nails or teethed on silver spoons. Meet the meritocracy.

Ellison never finished college, although at one time Oracle's PR department claimed he had degrees from two universities. He arrived in California—in a 1964 turquoise T-bird—in 1969 (he *did* inhale, he says). He started a consulting company, Software Development Labs, in 1977 with Robert Miner, a former boss at Amdahl Corp. His investment to start the company, which was renamed Oracle: $1,200. The value of his current Oracle holdings: $4.2 billion.

Jerry Sanders, founder of Advanced Micro Devices, likewise grew up on Chicago's South Side, and was also raised by relatives—his grandparents. But he excelled in high school, earning a full scholarship to the University of Illinois. He was on a fast-track sales career in the 1960s with Fairchild Semiconductor, when Andrew Grove, Gordon Moore and Robert Noyce defected from that company to form Intel Corp. in 1968. A year later, he left too and started AMD.

Sanders didn't grow up on the South Side pining for a career in the chip business: He had fantasies about becoming a movie star. Those were dashed when he was beat up while helping defend a friend against some street toughs. They broke Sanders's jaw and nose.

But he's managed to live a Hollywood lifestyle, anyway. He runs the Silicon Valley chipmaker part of the time from Southern California, so he can enjoy his $10 million Malibu mansion. And the party he threw for AMD's 25th anniversary included guests such as rocker Rod Stewart and Gov. Pete Wilson. Sanders's stock holdings are worth about $36.8 million.

The pedigree of Sun Microsystems's CEO, **Scott McNealy**, is far different. The son of an American Motors executive, he lived in the upper-middle-class suburb of Bloomfield Hills, Mich. He used to browse through his father's papers and memos, asking questions about their content. He attended the prestigious Cranbrook School in the chic Detroit suburb, where he played varsity hockey. He went on to Harvard. McNealy majored in economics, graduating with honors in 19; he was also captain of the golf team.

Then he wound up in the trenches. In the next two years, McNealy worked at Rockwell International, in the plastics division of Automotive Operations. First, he was foreman at a Centralia, Ill., facility; later he was a plant scheduler in Ashtabula, Ohio; finally, he went back to Michigan this time as a quality engineer and sales rep. What did the experience motivate him to do? Go back to school—he headed to Stanford, earning his M.B.A. in 1980. "I learned that manufacturing is a real job that truly adds value to the economy," he says, "but there are many more jobs out there that may make an individual more wealthy." He has one of them: His 19 Sun compensation reached $1.2 million.

The richest executive of all, **Bill Gates**, also got his launch into the ranks of tech tycoons from a privileged background. His father, William H. Gates II, was a corporate lawyer with Seattle's Preston, Gates & Ellis. His civic-minded mother, Mary, was a regent of the University of Washington, a board member of First Interstate Bank and a United Way official. Gates liked to water-ski as a kid, and proved to be rebellious enough that his proper parents enrolled him in Lakeside, an exclusive private day school. They hoped the rigorous academic program would tame him.

Instead he met Paul Allen, later his Microsoft cofounder, and discovered computers. Gates began hacking code in middle school. He went to Harvard in 1973, but never graduated. He started Micro-soft (with a hyphen) in Albuquerque, N.M. Since they had written a successful commercial version of BASIC, he and Allen were convinced they were onto something. They moved the company to Seattle in 1979 (and left the hyphen behind). Gates has been chairman and chief executive ever since, building Microsoft into the world's largest software company. And he is America's richest man.

— *Evantheia Schibsted*

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THE ASAP SURVEY
WHAT TECHNOLOGY PAYS

Even if you can't make the Top 20, you still have a better chance than ever at doing something cool in today's hypereconomy. And earning top dollar for it, too. Call it the self-invented career, or I.Q.-for-hire, career choices are expanding for the smart and ambitious. Meet some of them.

John G. Adler

JOHN G. ADLER, chairman and former CEO, Adaptec Inc., Milpitas, Calif....fiscal year salary and bonus... $1.07 million...an engineer with IBM in the 1960s...led Adaptec to become the Small Computer System Interface (SCSI) market leader...stepped aside as CEO in July...a Hungarian immigrant... earned an electrical engineering degree from the University of Mississippi...a Sloan Executive Fellow at Stanford in 1971.

Kenneth Alvares

MARC ANDREESSEN, vice-president, technology, and cofounder, Netscape Communications Corp., Mountain View, Calif....annualized salary for 1994... $80,000...the 24-year-old whiz kid from the University of Illinois who coauthored the original Web browser, Mosaic...joined with Jim Clark and a team from Illinois to form Netscape last April...diet consists mostly of pizza, Oreos and Honey Comb cereal...drives a red Mustang...he owned one million shares at the IPO...worth $58 million at the end of the first trading day.

Marc Andreessen

KENNETH ALVARES, vice-president, human resources, Sun Microsystems, Mountain View, Calif....made roughly $485,000 last year...also granted about 66,000 stock options...they were pricey...half will cost him $27 a share to exercise...a fisherman and scuba diver...joined Sun in 1992 from Frito-Lay, where he was vice-president of personnel...a Ph.D. in industrial psychology...drives a rusted-out '87 Lincoln.

Carol Bartz

AUTO INDUSTRY SKILLED TRADESMEN, General Motors, Detroit, Mich....hourly wages about $21 plus cost-of-living adjustments...they are the workers who keep GM's various assembly-plant robots operational...robots now weld and paint most cars...and do a lot of heavy lifting, such as moving windshields into place on the line...robotics hasn't replaced tradesmen, but has increased their skills to include the maintenance and operation of computerized machines.

Bud Colligan

CAROL BARTZ, chairman and CEO, Autodesk, San Rafael, Calif....salary is $593,986...one of technology's few female CEOs, she was vice president of worldwide field operations at Sun Microsystems before being lured to this CAD/CAM software maker in 1992...she's worked at DEC and 3M Corp....a University of Wisconsin computer science graduate, she has honorary degrees from Worcester Polytechnic Institute and William Woods University...active in the International Women's Forum.

Esther Dyson

CAFETERIA WORKER, Oracle Systems Corp., Redwood City, Calif., and Microsoft Corp., Bellevue, Wash....at Cafe Oracle cashiers earn $7 per hour; at Microsoft, about 25¢ more...catering servers and counter jockeys...earn $6 to $8 per hour at Oracle...fare includes pizza, salads...cooks at Microsoft's cafeteria prepare hot daily specials...earn up to $9 an hour...big bucks, no. But plenty of contacts.

JOHN "BUD" COLLIGAN, CEO, Macromedia, San Francisco...earned...$277,814 in fiscal 1995...helped launch the Mac at Apple in 1983...has run multimedia design authoring tool maker Macromedia since 1992...Stanford M.B.A....the one-time president of Authorware Inc....one of three companies that merged along with Paracomp to form Macromedia in 1992.

DATABASE SOFTWARE PROGRAMMER, Silicon Valley, Calif....salaries for programmers for database companies such as Oracle, Informix, Sybase...start at $35,000 ...senior salaries reach $100,000...picture a blue-jeaned code hacker banging out client/server database tools in C and C++...and that's the job...one or two daily meetings...cope with debugging software and coordinating group efforts...a product free of bugs...consumes the day prior to new releases.

DIGITAL MOVIE ANIMATOR, San Rafael, Calif....salaries start at $50,000...chief animators make about $80,000...they are employed by two of the best movie animation studios...George Lucas's Industrial Light & Magic and Steve Jobs's Pixar...these animators use computers to create special effects like the morphing silver villain in *Terminator 2* and the bloodthirsty velociraptors in *Jurassic Park*...at Pixar, an entire movie, *The Toy Story*, was created this way...it's due at Christmas... these computer jocks took the jobs of cell animators of the precomputer age...a typical day at deadline lasts 10 hours.

ESTHER DYSON, president, EDventure Holdings Inc. and editor, *Release 1.0*, New York City...salary about $400,000...from monthly newsletter subs priced at $595...and two conferences, called PC Forum...receipts from the pair in the $350,000 range...technology's most famous pixie-haired pundit...a former *Forbes* reporter and Harvard economics grad...bought *Release 1.0* in 1982 from then-semiconductor analyst Benjamin Rosen (later a venture capitalist)...she is fluent in Russian...tours Central and Eastern Europe and Russia to spread computer information and to network

Mark Eshman

with Russian programmers...distributes free newsletter, *Rel-EAST*...around former Soviet countries...started venture capital fund for Russian tech ventures last year.

Mark Eshman, broker, Dabney Resnick Inc., Sun Valley, Idaho...commission...percentage of the $1 million in revenues he generates...a breakaway from Beverly Hills firm, itself a survivor spinoff from Drexel Burnham Lambert... gave up the smog and traffic of L.A. last year...now sells high-yield securities from Idaho...same clients...same seven-figure commission...better view.

IBM Digital Movie Animator

Jack Grubman, telecommunications analyst and managing director, Salomon Brothers, New York...salary between $1.5 million and $2.5 million...one of Wall Street's steepest analyst salaries, Grubman's take is still half that of...Robert Morris, his Goldman Sachs counterpart...an MIT math major who worked at AT&T corporate...hit Wall Street in 1986 with PaineWebber...recognized eight times by *Institutional Investor* as one of the nation's best analysts...ranked No. 1 in 1994 for his telecom coverage.

Jack Grubman

Michael Hackworth, CEO, Cirrus Logic Inc., Fremont, Calif....salary and bonus in fiscal 1995...$1.4 million...as CEO for a decade, Hackworth took Cirrus to a billion-dollar run rate faster than any other Silicon Valley semiconductor company...has spent some 30 years in the chips business...started his career at the early Fairchild...a real Silicon Valley native...latest achievement...a joint manufacturing venture with IBM called MiCRUS, a state-of-the-art wafer fab in East Fishkill, N.Y.

Michael Hackworth

Mike Hammer, author and educator, Hammer & Co., Cambridge, Mass....annually earns...in the neighborhood of $2.2 million for keynote addresses...plus consulting fee for a half day of $40,000...his reengineering seminars run $2,000 a pop...an ex-MIT computer science professor turned business guru...in 1989 penned *Reengineering Work: Don't Automate, Obliterate*...co-authored, with James Champy, *Reengineering the Corporation*, last year...a runaway *New York Times* bestseller.

Mike Hammer

Industrial designer, Teague Associates, New York City...salary for designers begins at $45,000...senior-level salaries run up to $75,000...these computer jockeys use workstations and animation software to design everything from toothpaste packages to Boeing jet interiors...before computer-aided design, firm did work with pen-and-ink drawings.

Anton Lee, game tester, Nintendo of America, Seattle, Wash....makes about $30,000, with bonus...for debugging Nintendo's new video games...just 24 years old, he has been a video game addict since high school when his parents worried he would fry his brain playing endless games...now he's paid for his passion...he spent six weeks eight hours a day, debugging Killer Instinct.

Anton Lee

Douglas Litten, Internet support planner, America Online, Vienna, Va.... makes...about $25,000...in his newly created job, debugging AOL's soon-to-be released Internet access tool, Global Network Navigator... a self-taught computer tinkerer, he also runs his own computer repair, data retrieval and upgrade company, Computer Care Services...only technical degree is from a Computer Learning Center...he can fix everything related to personal computers.

Douglas Litten

John Markoff, technology reporter, *The New York Times*, San Francisco...salary $80,000 to $90,000...supplemented by book and movie deals...might be the most influential daily tech reporter in America...such reputation means he's often briefed in advance of other reporters... thanks to his breaking story on the arrest of computer hacker and outlaw, Kevin Mitnick, early this year, Hyperion paid him and a coauthor a reported advance in the high six figures for a book, due next January...movie deal for same said to be in seven-figure range...a big leap from his first salary in journalism...$3,000...at Pacific News Service.

John Markoff

Mary Meeker

Mary Meeker, computer analyst, Morgan Stanley & Co., N.Y....salary range...$600,000 to $900,000...a Cornell B-school grad...started covering PCs in 1986...moved from Salomon to Cowen, then to Morgan in 1991...salary leaped last year when named by *Institutional Investor* as one of the best...she's carved a niche on Wall Street by covering "new media" companies like America Online and Broderbund Software...often sighted at industry conferences...sixth sense for what's hot.

Thomas Meredith, CFO, Dell Computer Corp., Austin, Tex....made $524,000 in fiscal 1995...a transplant to Austin from Sun Microsystems...and Amdahl Corp.... where he was cofounder...Sun's cash portfolio increased from $223 million to $1.2 billion under his direction...also has a tax and legal background...he holds a tax law degree from Georgetown and a J.D. from Duquesne University of Law in Pittsburgh.

Thomas Meredith

David Duffield

Richard Nathan

Arthur Minich, chief technical officer, vice-president of engineering, Proxima Corp., San Diego, Calif....salary for fiscal 1995 approximately $272,000...tracks the future technical developments of this maker of lightweight, compact, LCD desktop projectors...formerly with Kodak ...and Tektronix.

Richard Nathan, computer troubleshooter, Tailored Technologies, New York...earns...in the range of $100,000 a year...running this virtual IS department for small and mid-sized companies...staff of six copes with clients' hardware and soft-ware problems and nightmares...from broken printers to LANs that crash...he retrieves lost data and answers simple questions about WordPerfect..."We sell peace of mind," he says...a history major at Pace...sold electronics at Radio Shack until the introduction of PCs in the early 1980s...he's been fixing them ever since.

Tragus Association Industrial Designers

Tom Peters, author and management guru, The Tom Peters Group, Palo Alto, Calif....fee for day-long seminars is $80,000...earns $65,000 per speech...the best-known management guru, beginning with 1982's *In Search of Excellence*...branched out into mass paperbacks last year with titles such as *The Pursuit of WOW!: Every Person's Guide to Topsy Turvy Times*...he's written for publications from *Forbes ASAP* and *The Harvard Business Review* to *The Economist* ...and lectured all over the world, from Dubai to New Zealand...a senior White House adviser on drug abuse in 1973-74...Vietnam vet...a self-described gadfly and capitalist pig...spends half his time at his Vermont farm.

Tom Peters

Ronald Ponder, chief information officer, AT&T, Plainfield, N.J....base salary exceeds $400,000, total package of bonus and options in the $1 to $2 million range... makes him among the highest-paid CIOs in the country...a 17-year veteran of FedEx...he built its international package tracking system...did a stint at Sprint prior to his mid-1993 move to AT&T...with a budget of $4 billion and a staff of 25,000 IS workers, Ponder oversees one of the biggest IS organization in the country.

Ronald Ponder

Frank Quattrone, managing director, Morgan Stanley & Co., Menlo Park, Calif....salary is $1.5 million to $2 million ...leads Morgan's global technology underwriting effort with a dimpled smile and renowned sense of humor...a one-time corporate finance analyst in New York, he moved to Silicon Valley after Morgan brought Apple Computer public in 1980, the investment bank's first technology IPO since IBM in 1960...a 1981 Stanford University M.B.A....went on to conquer the high-tech underwriting market...he's behind the IPOs of Adobe Systems, Silicon Graphics, Cisco Systems, Quantum, Xilinx, Intuit and lots more.

Frank Quattrone

Sanford "Sandy" Robertson, founder, Robertson, Stephens & Co., San Francisco... salary $1.5 million to $2 million...as a cub investment banker with Smith Barney in the 1960s, saw the technology opportunity and founded one of the earliest high-tech underwriting boutiques in 1969...his partner in 1972 was Thom Weisel, who later left to form rival Montgomery Securities...led one of the first high-tech IPOs...Applied Materials, October 1972...his firm has raised more than $18.1 billion for emerging growth companies...including Sun Microsystems and Cypress Semiconductor.

Sandy Robertson

Rick Sherlund, partner and software analyst, Goldman Sachs, N.Y....earns up to $2 million...the Wall Street analyst most closely associated with coverage of Microsoft...rated by *Institutional Investor* as the best analyst in software...covers Sybase, Oracle, PeopleSoft too...his $1 million salary doubled when he made full partner in The Street's richest firm in 1994...it should keep climbing.

Rick Sherlund

John Sidgmore, CEO, UUNet Technologies, Fairfax, Va....Sidgmore proves that timing is everything...he joined this Internet access provider, closely aligned with Microsoft Network, in June 1994...the company went public nine months later...on the first day of trading, his 10-month stint was worth $35 million...and within two months, the value of his holdings had ballooned to $62 million...he also earned a salary of $440,321...previously at GE Information Services and Computer Sciences Corp.

John Sidgmore

Richard Snyder

Richard Snyder, executive vice-president and COO, Gateway 2000, North Sioux City, S.D....made $399,000 last year... the nation's premier direct-market reseller of PCs also gave him...a car allowance of $12,750...he was a partner with Coopers & Lybrand before joining Gateway in 1991...a University of Michigan grad, he served as an adjunct professor of accounting there for two years...has an M.B.A. and a law degree.

John Thompson, headhunter, Heidrich & Struggles, Menlo Park, Calif....salary... more than $1 million...H&S's best high-tech headhunter...clients include Autodesk, General Cable, General Instrument, Legent Corp., Mentor Graphics and Novell...a former HR executive with game-maker Atari...he's a Virginia Polytech grad with an M.B.A. from the same school...woos executives with high-tech stock options and his smooth Southern drawl.

John Thompson

Larry Sonsini, name partner and corporate attorney, Wilson, Sonsini, Goodrich & Rosati, Palo Alto, Calif. ...earns about $2 million a year...he's tech's top-paid corporate attorney...the lawyer of choice throughout the industry...even among direct competitors, including Informix and Sybase, Conner Peripherals and Seagate Technology, Dell and Packard-Bell.a smooth operator with an unflappable style... doles out as much business advice as legal advice...the combination has put him in the middle of many high-stakes deals...like Novell's acquisition of WordPerfect...in 1978, his firm had 12 lawyers, and now has 300...it is among the nation's 100 top-grossing firms, and the 27th most profitable...average partner draw is $465,000 ...University of Calif. Boalt Hall graduate.

Telecommunications construction workers

Larry Sonsini

Curtis Turchin, doctor of chiropractic, The Spinal Institute of Palo Alto, Palo Alto, Calif....charges $40 to $60 per session...for treatments to cure computer users of repetitive stress syndrome...half this chiropractor's Silicon Valley clientele (including two *Forbes ASAP* staffers) suffer from the disorder...so effective are his methods that Sun Microsystems includes him on its preferred list for treating RSS...relief generally comes within four to 10 sessions.

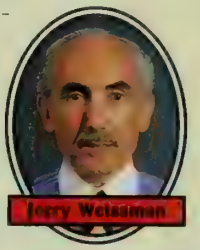
Curtis Turchin

Web-site designer, ModemMedia, Westport, Conn....earn... $30,000 to $100,000 at this top East Coast Web-site building company...salaries similar at Poppe Tyson Advertising in Mountain View, Calif.... these companies provide the computer designers who build the "Home Page" for corporate clients bringing data and services to the World Wide Web...the jobs involved in Web-site construction didn't exist until the Internet exploded two years ago...ad agencies charge fees from $20,000 to $200,000 for a Web-site design...here's the reason why: Web programmers versed in HTML can bill $100 per hour...art direction runs $80 to $100 an hour...creative direction $100 to $200...account and senior managers make $120 to $200 an hour.

Technical writers, San Francisco to San Jose, Calif....pay ranges...from $40 to $75 per hour...Silicon Valley's 3,000 high-tech companies create nearly unlimited demand for tech writers to churn out user guides, computer manuals and programmer guides...the low-end, general-purpose guides...pay $40 to $50 per hour...for the electrical engineer or computer science grad who can write really technical manuals for fellow programmers...fees jump to $60 to $75 an hour...a typical job lasts two to three months, with 30 to 40 billable hours weekly.

Telecommunications construction workers, throughout the Bell South region...$10 to $14 per hour...for the laborers who lay the mile of fiber optic cable that makes the information age a reality...higher hourly wages...for those who drive the tractors that turn over the land to make the two-inch cable ditches...in the Sunbelt, laying cable is cheapest and easiest in Mississippi...it has flat, delta terrain...swamps in Florida and Louisiana create a challenge for Bell South.

Jerry Weissman, presentation coach, Power Presentations Ltd., Santa Clara, Calif....earns $18,000 per program... schools nerdy technology executives on presentation techniques...the charm school of choice for preparing tech executives to dazzle investment bankers and fund managers during IPO road shows...a Stanford pal of venture capitalist and Compaq chairman Benjamin Rosen...spent his career writing soap operas in New York, Mexico and Los Angeles...author of the thriller *The Zodiac Killer*...coach to such difficult personalities as Bill Gates of Microsoft, Philippe Kahn of Borland International, T.J. Rodgers of Cypress Semiconductor.


Jerry Weissman

Bavaria's Business Community:
Broad-based and profitable

The latest realignment of Germany's version of the Dow Jones averages – the DAX (Deutsche Aktienindex) – has a decidedly Bavarian slant.

More than a third of the new DAX's market capitalization stems from Bavarian companies; about 75% more than the state's share of Germany's total GDP and more than twice its portion of the country's population.

The reason? "Inclusion in the DAX is based on the quality of long-term track records and recent results," notes the August issue of *Manager*, the German business monthly. High-quality track records and recent results are precisely what Bavaria's star DAX companies – Allianz, BMW, Siemens, MAN and VIAG – have to offer.

Fêted around the world, these companies are nothing out of the ordinary in their home business community, in which high levels of corporate performance, solvency and innovation are the norm. In 1994, Bavaria's joint stock companies achieved a net profitability well above German national averages. According to *Creditreform* (Germany's leading business performance monitoring agency), Bavaria has the lowest rate of corporate insolvencies in the country. Bavaria's manufacturers also have Germany's highest percentages of new products (those less than five years old) in their ranges.

There are many factors driving Bavaria's economic performance. These include the best figures in Europe for days lost to strikes and to power outages, the high levels of state workforce skills and the make up of its business community; sectors such as financial and technical services, automotive manufacturing and communication systems are heavily represented. These, not surprisingly, are Germany's best-performing sectors, reports Munich's IFO institute for economic research.

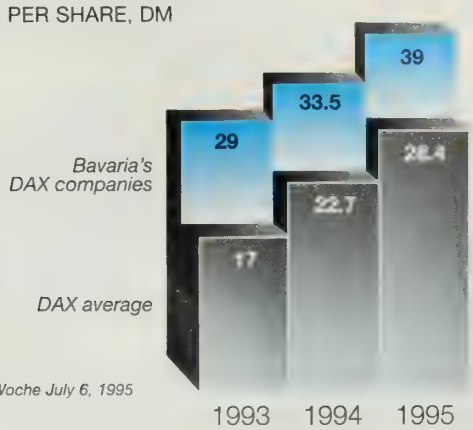
"This make up is the key to Bavaria's economic success, along with the flexibility and adaptability arising from the large number of small-sized companies in the state," says Dr. Otto Wiesheu, Bavaria's minister for economic affairs, transport and technology.

Wiesheu is referring to the fact that 99.2% of Bavaria's 500,000+ companies have workforces of 500 persons or less, including many of the 15,000 foreign-owned companies operating in the state. Not included, of course, are the DAX stars mentioned.

"In this regard – and only in this regard – these companies are something of an exception," adds Wiesheu.

Bavaria vs. the DAX

PROFITS PER SHARE, DM



Source: WirtschaftsWoche July 6, 1995

Bavaria's Stars

ALLIANZ AG HOLDING has parlayed five decades of unswerving prudence and sure handed expansion into a DM 25 billion annual asset growth and a number one position among Europe's insurers.

BMW's concentration on core businesses and the pursuit of technical excellence has made it Europe's most consistently profitable, most widely emulated automobile manufacturer.

SIEMENS AG's strength in four fast-growing segments of the world's ICT market – mobile and terrestrial telecommunication systems, PC manufacturing and microelectronic components – has helped the company retain its position as Europe's largest, highest-earning major electronics corporation.

MAN has shown that technological leadership and consistently good corporate results are not incompatible, even for companies active in such highly competitive areas as large-scale industrial engineering.

VIAG has proven that the broad-ranging conglomerate is still a highly viable corporate lifeform.

Another smooth landing in Bayern.

Most of Bayern's smooth touchdowns occur at Munich's new airport and Nuremberg's international facility, which provide regular service to 100 major international centers.

Some arrivals glide into the state, thanks to Bayern's Rhine Main Danube canal, which lets ships travel smoothly from the North to the Black Seas while serving the state's international ports. Other smooth movers are Bayern's high-access rail and road networks, which transport goods and persons quickly and easily across central Europe.
Also arriving in Bayern have been many of the world's leading investors, landed by the state's smoothly-flowing economy.

For more information on how we can smooth the way for your project in Bayern, please contact the
Bavarian Ministry for
Economic Affairs,
Transport and Technology
Dr. Manfred Pfeifer
Prinzregentenstr. 28
80538 München / Germany
Tel.: (89) 2162 - 2642
Fax: (89) 2162 - 2760

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Wealth Creation in the 21st Century

Look for more industries to go horizontal. Value will be created in abstract layers tying commodities together. By William Davidow

Generalizing about wealth creation in the new economy means being wrong in many specific instances. Nevertheless, I will risk making this generalization: *In the information age, much of the wealth will be created by those who add layers of intangible capital on top of commoditized goods and services.*

Fabless semiconductor companies have done this in recent years. They developed unique designs and then farmed out the means of production to silicon foundries. They used their application understanding, design capability and distribution skills—all intangible assets—to create valuable products.

Software companies have done the same thing in the computer business. Suppliers of commodity computer hardware ship millions of units to customers who now demand software to benefit fully from the computers they purchased.

As the lofty multiples of fabless chipmakers and Microsoft show, the suppliers of the uniquely intellectual layers—which tie commodities together and impart value to them—tend to generate a disproportionate amount of the wealth while requiring a small investment of capital.

I see this trend continuing, even accelerating. Example: In a world paved by the information highway, most network providers will be supplying commodity services. But the real money will probably be made by the suppliers of value-added services and content that sit on top of the network. This is almost the opposite of the situation that exists today, where network providers tax the content and services.

For example, American Online and Prodigy, two of the leading on-line service providers, charge for connect time and collect a large percentage of the revenue generated through the sale of information. But in the future, phone companies, cable companies and numerous interconnect providers will supply commodity bandwidth to the user. It will be difficult to tax the revenue generated through the sale of information, just as it's difficult now to tax the valuable information a customer gets from a stockbroker over the phone. There will be just too many ways for customers to connect directly to information suppliers.

Content and value-added service providers will be the likely beneficiaries. That is one reason why Microsoft was so keen to buy Intuit, the personal financial software maker. It is also why stocks of companies providing value-added services that run on the Internet have been so hot in recent months.

As the world becomes increasingly competitive, more and more horizontal providers of commodity goods and services are emerging. In response, many industries will be restructured. One candidate for this kind of transformation is the newspaper business.

A newspaper represents a bundle of information products—international, national, state and local news, plus advertising. That's what you get when you purchase the *Los Angeles Times*. In the future, however, the subscriber may be able to buy international news from the *New York Times*, national news from the *Washington Post* and California news from the *Los Angeles Times*. In this model, these papers would become electronic news services. An international news service with 25 million electronic subscribers paying $2 per month would be a very substantial enterprise, and would no longer have to depend on advertising to subsidize its news department.

Nobody can predict the shape of the future. But one thing is certain: The rapid pace of technological change will reshape many of the institutions that are so familiar and create new ones. My guess is that much of the wealth in the future will be created by companies and individuals who build differentiated products and services by assembling commodity layers in unique ways and adding value to them.

William Davidow is a general partner of the venture capital partnership Mohr, Davidow Ventures in Menlo Park, Calif. He is the author of The Virtual Corporation *(1992),* Total Customer Service *(1989) and* Marketing High Technology *(1986).*

SWEET DEALS

You don't have to be a founder to get rich. By Nancy Ruttir

When the board of Autodesk lured **Carol Bartz**, then the No. 2 person at Sun Microsystems, to become Autodesk's CEO in April 1992, it paid dearly for her talent. Her annual base salary was set at $400,000, and she was guaranteed a bonus, up to 80% of that base, if the company met certain performance criteria. Since Autodesk is in San Rafael, Calif., and her home is some 50 miles south, she bargained for an annual commuting allowance of $27,000. With that stipend, she reportedly employs a Vietnam veteran to drive her to and from work.

In addition, Bartz, who also became the company's chairman, got a one-time $250,000 signing bonus and an option to purchase one million shares of common stock for $30.50 per share, the approximate market value of Autodesk shares at that time. Today, Autodesk's stock, which split, 2-for-1, in October 1994, is trading in the $45 range. That makes her holdings worth $60 million.

Bartz's compensation package was certainly rich for the CAD/CAM software company; at the time its revenues were about $350 million. But the board "bought the best of class" in order to reposition the company, says a headhunter familiar with Bartz's deal. "The board bit the silver bullet on this one because they wanted a change agent, not an incremental change agent," he says. It got one: Bartz has increased shareholder value by at least $1.5 billion in three years.

Like Autodesk, companies in trouble, from either a financial or positioning standpoint, usually pay up to get prized executives. Floundering General Instrument Corp., owned by the buyout firm Forstmann & Little, gave **Daniel Akerson** precisely such a package.

Akerson, who came from MCI, became CEO and chairman in August 1993. His base salary was $800,000, and he was given a guaranteed bonus, not to exceed $560,000; the company surpassed its targets, however, so he earned the entire amount that year. Better yet, Akerson also got 360,000 shares of common stock and a percentage in a Forstmann & Little limited partnership. That made him the beneficial owner of 8.7 million shares of GIC stock.

When he joined, GIC's stock was trading in the $47 range; it split in August 1994, 2-for-1. Lately, it's been priced at $35, making Akerson's shares worth about $648 million. The company's comeback prompted Akerson to resign as CEO this year; while he remains chairman, COO Richard Friedland has stepped in as CEO. Akerson now works full time for Forstmann & Little.

If GIC "bought" Akerson, IBM gave away the store to get **Louis V. Gerstner Jr.** To turn itself around, the troubled computer maker presented the new CEO and chairm n with a rich employment agreement in March 1993. T e terms included a:

- $2 million annual salary
- Target award opportunity of no less than $1.5 milli , with a $1.125 million minimum for 1993
- Long-term incentive award opportunity of at le t $500,000
- Special one-time payment of $4.2 million, for the va e of benefits forfeited when he left RJR Nabisco
- $160,000 reimbursement for certain taxes
- 10-year stock option for 500,000 shares of common st k at $47.88 per share
- Annual pension, beginning at age 60, of $1.27 million

The agreement also gave Gerstner the differe e between the market price and his exercise price r all his unexercised RJR Nabisco shares.

At the same time, the board gave IBM's sen r executives a sugarcoated deal to entice them to st with the company through Gerstner's tenure. those with options granted from 1984 to 19 could forfeit and exchange them, on an average 2 to-1 basis, for new options, all granted at a price $47.88, then the fair market value. The options could r vest for two years, but for the first nine years of their ter if the average closing price of IBM common stock was at above $71.82 for 30 consecutive calendar days, the optic could be vested.

About 1,200 executives, excluding company officers, pa ticipated in the new package. They are probably thrill that they did. In August, IBM's stock was trading at mo than $100 a share, and it had been trading above the $ benchmark for more than 30 days straight.

IBM's move to reprice options and tie vesting to a ce tain price was unusual, although repricing options as executive incentive occurs more frequently. That's especia ly if a company's stock takes a dive and options become f more pricey than the stock's market value.

Such was the case with Cadence in 1993. The compan top officers, such as CEO **Joseph Costello**, had hundreds thousands of shares priced at $18 to about $26 per shar Costello himself had some of his 900,000 options price between $18 and $24.50. The company's stock, meanwhil was trading at a dismal $9.50.

So the board authorized a repricing in April of that yea assigning a new exercise price of about $8 a share. Th meant that Costello's shares were newly priced at betwee $8 and $18 a share, all exercisable within a 10-year tim frame. A good deal? You bet. Cadence shares were recent trading at more than $35.

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BILL LERACH THINKS OF HIMSELF AS

Robin Hood IN A Class-Action Suit

BY NANCY RUTTER

HIGH-TECH SECURITIES-FRAUD litigation has made multimillionaires out of a handful of lawyers. But new laws being pushed by the Republican-controlled Congress could, if enacted, dampen one of the best rackets in the legal industry.

Alan F. Shugart figures he is sued for securities fraud by San Diego plaintiffs' lawyer William S. Lerach about every four years. That's been the pattern since 1984, when Lerach, the market leader in plaintiffs' securities class actions, first filed suit against Shugart and his disk drive company, Seagate Technology. That round was settled, and a subsequent round filed in 1988 was dismissed. Lerach fired more shareholder suits at Seagate in 1991, so Shugart believes it's time for another volley.

Maybe not. Lerach's business patterns soon could be disrupted, thanks to Congress and its move to reform the legal system—in particular, to make revisions to securities regulations that will become law unless a presidential veto stands in the way.

Most high-tech suits are based on "soft projections"—forward-looking predictions made by a company that fail to materialize. This results in a stock-price plunge, since Wall Street historically hammers tech stocks when projections are off. The price plunge triggers a shareholder lawsuit, often within a matter of hours. The new laws, if enacted, will stem the tide of high-tech securities actions, stop fishing-expedition lawsuits by limiting discovery and requiring specific pleadings, and provide a "safe harbor" for exe tives who make predictions that don't pan out.

Securities-fraud litigation is a solid, billable business r plaintiffs and defense lawyers. Lerach, a partner at Milbe Weiss, Bershad, Hynes & Lerach, based in New York d San Diego, won't divulge his earnings. Reliable estima s place his annual salary at up to $10 million. Wilson, Sor ni, Goodrich & Rosati, of Palo Alto, Calif., earns some $0 million a year defending hi tech companies against t suits.

High-tech companies h been footing most of the b According to the National Ec nomic Research Associat high-tech suits accounted f roughly one-third of the 6 shareholder suits filed in 19 through 1994; no other indu try sector came close. Mo than $709 million was paid these companies in 95 settl ments during the period, fro which attorneys culled almo $227 million in fees.

In the last decade more th half of the 150 top high-te companies in Silicon Vall have been sued for securiti fraud. Ninety-three percent se tled, paying an average settl ment of $8.6 million. Many high-tech firms elsewhere the country and all of the top 10 revenue-producing firr in the Valley, from Sun Microsystems to Raychem, ha been sued. The Securities and Exchange Commission d not find cause to pursue its own legal action against the firms, an indication that regulators failed to see evidence any real wrongdoing.

MARKET LEADERS IN CLASS-ACTION LITIGATION

1988 TO MID 1995

PLAINTIFFS' ATTORNEYS

	Number of Cases
1. Milberg, Weiss, Bershad, Hynes & Lerach New York and San Diego	193
2. Berger & Montague Philadelphia	87
3. Abbey & Ellis New York	73
4. Wolf, Popper, Ross, Wolf & Jones New York	59
5. Barrack, Rodos & Bacine Philadelphia and San Diego	57

DEFENSE ATTORNEYS

	Number of Cases
1. Wilson, Sonsini, Goodrich & Rosati Palo Alto, Calif.	50
2. Skadden, Arps, Slate, Meagher & Flom New York	45
3. Gibson, Dunn & Crutcher Los Angeles	29
4. Heller, Ehrman, White & McAuliffe San Francisco	22
5. Paul, Weiss, Rifkind, Wharton & Garrison New York	16

Source: Law & Economic Consulting Group Inc.

Many, like Seagate, have been sued more than once. Apple was sued every two years for fraud from 1985 through 1993. It is the only high-tech company to take a case (revolving around the failed "Lisa" machine) to trial. It lost, *big*. A Milberg Weiss partner won a jury verdict estimated at $100 million against two Apple executives. The verdict was overturned by a judge and Apple agreed to a $19 million settlement in 1991. Lerach's firm's take: $9 million. Apple's defending lawyers—No. 4 in the class-action legal market, Heller, Ehrman, White & McAuliffe—earned $6 million. Apple shareholders got approximately $2 million.

After 23 years in operation without a securities claim filed against it, chipmaker Intel was hit seven times with such suits between 1991 and 1993. Last year, eight securities class-action suits were filed against Intel and all were dismissed. Lerach's firm filed five of these suits.

Directors and officers liability insurance pays most of the settlement costs. The NERA study found that on average 68% of the settlement amount was paid by D&O in the period studied. Companies paid about 31% of the settlement value, with directors and officers paying less than 1/2%.

Yet insurers don't seem to complain. Here's one reason why. Private robotics company Adept Technology pays $29,000 a year for D&O coverage of $3 million, according to an early 1995 letter to a congresswoman from its chairman and CEO. The 12-year-old company has not been sued to date, yet will have to pay $450,000 annually for $5 million of coverage if it goes public. It is considering whether a public offering is worth that price. "We complain about the plaintiffs bar getting rich from these lawsuits," observes Apple's general counsel Edward Stead. "But the defense bar likes this game, and so do the D&O insurers."

Is there fraud in some companies' forecasts? You bet. But it isn't as rampant as the number of shareholder suits implies. Take Adaptec, a peripheral and networking equipment maker in Milpitas, Calif. It experienced a revenue shortfall in December 1990, although the quarter was still profitable, coming on the heels of 36 consecutive profitable quarters. The subsequent lawsuit accused executives of knowing of "a lack of future viability." Adaptec spent about $5 million to get rid of the suit. Currently, it is the market leader in the small computer systems interface market.

Technology companies have been itching to rub out the rash of shareholder suits for some time. But this was the year for Lerach and the plaintiffs bar to be "Newtered."

Technology lobbyists agree Speaker Newt Gingrich and his activist Congress got the ball rolling toward reform last summer. Aiding the effort was congressional awareness that the technology sector is fueling economic growth. Even liberal Senator Barbara Mikulski (D., Md.) gave her nod to the Senate securities reform package in June because of concern over high-tech lawsuits. Maryland has a thriving telecommunications, software and biotechnology corridor along Route I-270.

The liberal swing toward reform likely pained Lerach, who has contributed more than $1 million to the Democratic Party and candidates in the last five years, according to *The Wall Street Journal.*

If he is worried about his business, Lerach doesn't acknowledge it. "We're like snakes," he says. "You cut us in half and we'll still wiggle."

ACCIDENTAL MILLION

In 1986 Dan Lynch was 45 years old and jobless. So he invited everyone he knew the computer networking industry to a party. His goal: shake hands and maybe lan a job. The result: He inadvertently started the hottest conference in the busines

Entrepreneurs in high technology have made millions, and one of its hottest areas is computer networking. Much of the credit for making "networking" a household word goes to Dan Lynch, a 54-year-old former hotshot programmer and zany founder of the NetWorld + InterOp trade show. In 1986, Lynch mixed a brew of networking techies, marketeers and users into a unique forum that helped trigger a multibillion-dollar industry—and change the world of computers and communications.

Lynch's formula was simple: provide a forum where techweenies could demystify networking to everyday users. The first tiny conference of 300 became the networking industry's coolest "must" event, and now serves a quarter-million people who attend InterOp shows held each year in Las Vegas, Atlanta, Frankfurt, Paris and Tokyo. Networking vendors spend a half-billion dollars annually to reach InterOp attendees, who control information flow over huge private networks and the Internet.

Lynch sold the trade show to Ziff-Davis Publishing in 1990 for a purported $20 million. Lynch himself only admits to this: "I was happy." In 1994, Ziff-Davis sold the show to Japan-based Softbank Corp. for about $150 million. Lynch spends half his time with InterOp as its chairman and is also active in several new technology startups.

ASAP: How did you decide to start a trade show?

LYNCH: I knew I wanted to start my own business but didn't quite know how to do it. After several attempts, I decided the hell with it, I'll just go to work for a networking company as VP of marketing. No one would hire me. They'd laugh and say, "You don't have any marketing background." And I'd say, "Yeah, but I know what the customers want. I've *served* them." I knew all the people that developed networking technology. I helped them to build their stuff and make it work. So I called these guys up and said, "Hey! I think that you guys have failed to get the commercial world to really use your invention because they still don't understand it. What I'd like to do is put together a little seminar and have you guys come out of your ivory towers and explain this stuff to the vendor comm nity." It was mid-'86 when it happened. And this was all s can basically get a job.

ASAP: So the first InterOp was a scheme for you to get a jo

LYNCH: Yeah—a job fair for Dan Lynch. It was an invitatic only event held at the Doubletree Hotel in Monterey charged the 300 attendees a hundred bucks, just to pay f rooms. I called it the TCP/IP Implementers Workshop. The were no exhibits; the event was just to get people to talk each other. People were upbeat. The magic that occurred w that there were people in the audience explaining to t researchers on the stage problems they had, or problems th were addressing, that the researchers had never thought c The researchers got value by talking to these peopl Researchers got new problems to solve that they hadr thought of or come across.

ASAP: How did the conference become your job?

LYNCH: The third and final afternoon, a Southern gentlema stood up and said [adopting a Southern drawl] "Da-an! W been tawkin'. And we know why y'all put this on. It's so yc can get a job from one of us." He said, "But we think that'd l a mistake. It's obvious that any of us would love to hire yc now. You know where this industry's goin', you know how git it there. But we think you should stay neutral, and be in th center of this industry, and help lead us, to where we need t go. We need to have more conferences like this for our peop and our customers. And we'd like you to do *that*."

ASAP: So this guy told you what you would do for the next 1 years.

LYNCH: Yeah, right. I recovered my composure and blurte out, "You mean you'll spend *real money* to come to one c these?" And they said "Yeah!" Then I reached for it and saic "You mean like $895?" And they said, "Yeah." So, hell! Tha was it—I was happier than a pig in shit. I went to the bank th next weekend with my plastic and cashed it all in; I got abou $50,000. Within two weeks I hired a PR person and a confer ence organizer. And the rest is history.

ASAP: How did InterOp evolve to include exhibitions and

DAN LYNCH

AIRE

BY DAVID J. BUERGER

how-wide network linking all vendors' systems?

YNCH: I didn't want a regular trade show, where ooths are disconnected—that's just bogus. In a net-orking environment, networking is your subject mat-er. So I said, can we put together a network in two ays? I know how to do that. I mean, get some friends nd do that sort of thing. Then I hired a trade-show nanager. I remember giving her a list of about 60 compa-ies, and said, "Here, call these guys up, I don't know how to ell a booth, you know how to sell a booth, and tell 'em the arty's gonna be on in September and we've rented the Santa lara Convention Center, and ask what size booth did they ant to buy." No sales pitch. I was too embarrassed to call em up and ask.

ASAP: Some marketing vice-president [chuckles].

YNCH: Yeah, I know. [Laughs wryly.] She sweet-talked these eople pretty quickly into doing this thing. We had the first how in Santa Clara in September of '88. Fifty vendors and ,000 attendees. There were a couple of really neat things that appened there.

The night before it opened. I went out on the show floor to ee if things were goin' okay. There are people out there ebugging shit. There was this big burly guard sittin' on one f those high stools. And he said, "Hey, you! Sump'n funny oin' on here. I been doin' this for years, and I'm here to keep ther exhibitors from stealin' this guy's stuff. But this show, ou got these exhibitors in each other's booth, helpin' each ther! What's goin' on?" Wow! Even the guard noticed that etworking requires cooperation!

And during the show, I happened to watch three nerds rom Ford and their suit in front of a booth. They had dragged heir boss to this damn thing, saying, "See?! It works! Now will ou sign the P.O.?" And he said, "Yeah yeah, okay okay okay." ike he was in a daze. And that's when I said to myself singing the words], "I have a business." Sign the P.O. That *is* hat it's all about, right?

ASAP: How is InterOp different from other networking trade hows?

YNCH: [Pauses.] The...secret...the secret sauce of InterOp is hat it has a heavy-duty technical core. The leading-edge tech-ologies get discussed, described, debated and even developed or showing at InterOp. The other shows just haven't gotten hat deeply technical. The reason for all that is that when I started InterOp, I was a heavy-duty techie! It just shows my roots, that's all.

ASAP: InterOp is big stuff: You draw more than 60,000 a show. What's the expo company's annual revenue?

LYNCH: Somewhere around $110 or $120 million, for '95. It's quite amazing!

ASAP: What does a typical vendor spend to exhibit at a show?

LYNCH: At either of the two big shows, the vendors together spend $15 million for booth space. The typical rule of thumb is that's 20% of their cost. So they spend $75 million to put on a show. We see 20% of their expenditure. And the rest is in personnel and travel and, booth construction—it's a serious investment!

ASAP: You've sold the show and now you're working under its second owner. Is your role different than it used to be?

LYNCH: After the sale of the company, I was actively managing it for the first couple of years, and then the new owners wanted to manage it, because it turned out to be important. I don't love hands-on process management. I'm a creative guy. I can get somethin' cookin', I'm pretty good at that. But I don't like day-to-day process stuff. That's freed me up to think about other things. I work on the NetWorld + InterOp stuff about half the time. I don't have an active management role.

ASAP: What's happening with your new CyberCash venture?

LYNCH: It's really revolutionary. What I'm working on is developing the sort of technology that can bring normal financial transactions and normal commerce to the Internet, so the Net will be more than just a business-to-business tool. Making all that happen is a huge task, and it will just facilitate a much wider use and appreciation of how cool the Net is. I'll do that for another 10 years. And then I'll be done.

—David J. Buerger (dbuerger@pipeline.com) is a freelance writer, a weekly columnist for Network World *and a networking industry consultant in Atlanta.*

SMART BUSINESS STRATEGY #4:

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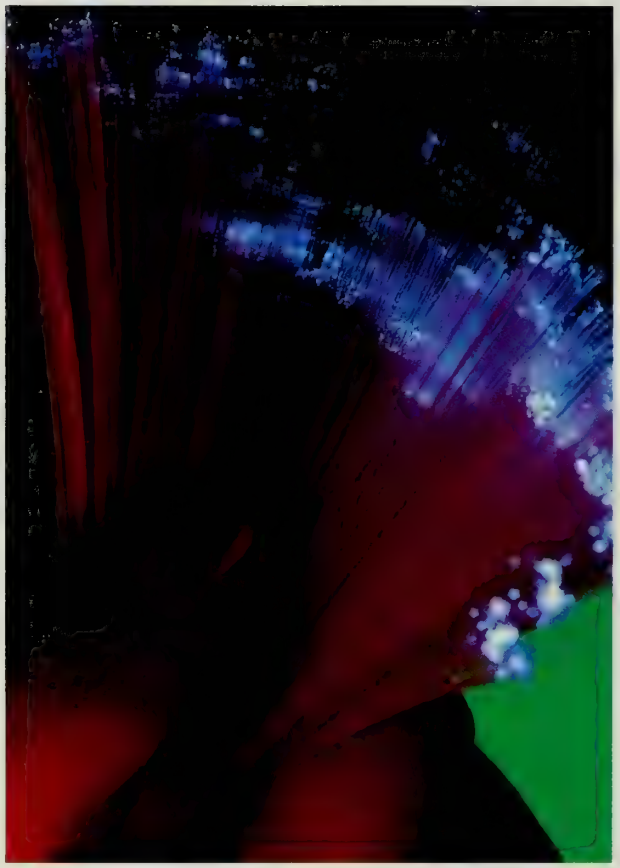
Reflecting on a century of success from world headquarters in Iowa, Maytag Chairman and CEO Leonard A. Hadley observes: "We've been able to produce dependable quality products in Iowa since 1893 because of an environment conducive to innovation and technology, and now we are preparing for the next century with advanced communications technology."



To maintain its competitive edge in a global economy, Maytag has established the Newton Poly-Technic Center. The Poly-Technic Center — a private/public partnership with neighboring Des Moines Area Community College, Iowa State University and state-supported Wallace Technology Transfer Foundation — enhances global communications, facilitates technology transfer, and provides a campus for technological training.

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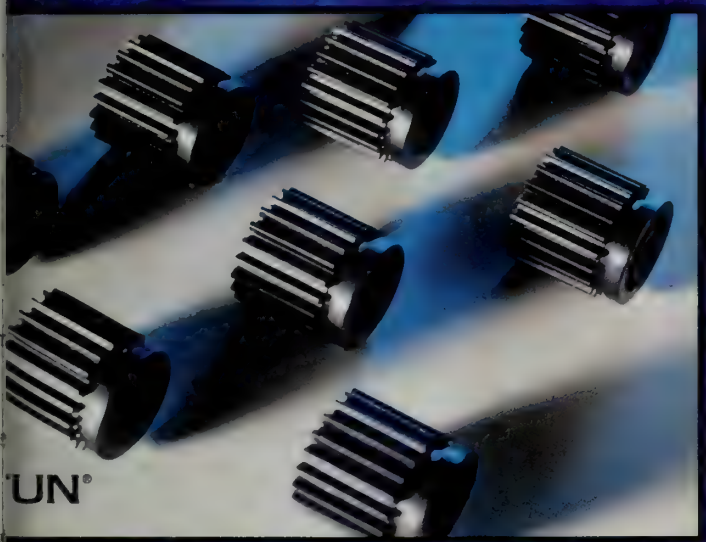

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Forrest Farnsworth

THE ASAP INTERVIEW

Forrest Farnsworth

SOME HARD QUESTIONS FOR THE THIRD WAVE'S WORST INVESTOR

Forrest Farnsworth is one of high technology's truly unique figures. He's been in the right place at the right time with uncanny frequency, and each time he's had ready money to invest. Yet after more than 30 years—years during which a device made in a California garage has changed the world and a bespectacled Harvard dropout has become the richest man on the planet—Farnsworth has turned what Dickens would have called "a fine family fortune" into a dwindling portfolio barely sufficient to keep him in Graham's vintage port and contraband Romeo y Julieta Havana cigars. (In 1964, *Forbes* estimated the Farnsworth holdings at $400 million—worth about $1.5 billion in 1995 dollars. Though he won't discuss exact figures, Farnsworth admits he's down to less than 5% of what he started out with.)

Once sought out when entrepreneurs in technology needed capital, Farnsworth—recently nicknamed "Forrest Chump" by *Barron's*—has become an investment albatross, someone with such a history of missed opportunities that few in the business dare answer his phone calls for fear he might want to put what's left of his principal into their companies.

Born into old money in Old Greenwich, Conn., Farnsworth—distantly related to Philo T. Farnsworth, inventor of the cathode-ray tube—was attracted to science and technology early in his education at Exeter, but showed no particular gift for understanding even fundamental chemistry and physics. Despite a less-than-impressive academic record at the University of Virginia (where an experiment he conducted to distill persimmons closed his fraternity house for a year), he left school determined to become a successful inventor. When his parents were killed in a ballooning accident in the south of France in 1964, Farnsworth inherited the family carpet-sweeper fortune and formed Invent!—a company intended "to make the leading edge look like old news by this afternoon." His first—and apparently last solo—invention, a flea collar-style eight-day deodorant belt for humans that promised "a bathless week," was a total flop. Stores sold a few thousand, but rumor had it that the buyers were all Farnsworth himself, in various disguises. "I still think it was a first-class idea," he says ruefully. "The water savings alone would have been phenomenal."

In the hope that Farnsworth's long series of technology investment debacles might provide an object lesson in how to avoid the pitfalls of a volatile market, *Forbes ASAP*'s Owen Edwards sat down with an increasingly unhinged Farnsworth at the University Club in New York City and asked some painful questions.

ASAP: Looking back over the years, what do you think was your worst decision?

FARNSWORTH: Well, actually, I don't think I've made any bad decisions. It's just that the technology business, for which I feel I have a genetic instinct, is increasingly made up of very peculiar people. People I'm just not comfortable with.

ASAP: Does this explain your failure to connect up with Steve Jobs and Steve Wozniak in the early days of Apple Computer?

FARNSWORTH: Certainly incompatibility was part of it, though "failure" may be too strong a word. In my book these two young men had many things going against them. They were very casual in their appearance, and, frankly, their idea of personal hygiene was lax to the point of, well...noticeable odors. I could have overlooked this—they were from California, after all—but their idea for "a computer for the rest of us" just escaped me. My friends all had mainframes, or at least their companies did. So who could "the rest of us" be? But the big problem was the amount of money they wanted. I remember it was something like $1,200, for which they offered 20% of a company unwisely called Apple. I mean, really! If it had been $120,000, I might have been mildly interested. Surely *Forbes ASAP* readers will agree that $1,200 is just not the kind of funding request that inspires confidence.

ASAP: But for that small amount of money, you would have reaped millions, wouldn't you?

FARNSWORTH: I suppose so, though I don't quite see your point. If they'd asked for a lot more, I might have been

persuaded to forget about the long hair and that tacky garage work space—and think how much more I would have made.

ASAP: What did you invest in at the time?

FARNSWORTH: I put quite a lot of money into Honeywell. I felt good about a company headquartered in Minneapolis. Those long, cold winters breed hard work. I lost a bundle but I can hardly be faulted for trusting something with such a Scandinavian feel to it. I also had other technological irons in the fire.

ASAP: Did any of those pay off?

FARNSWORTH: Well, no, but they should have. Again, I blame the queer nature of this business. For instance, the SherpaPak II, the first portable computer.

ASAP: Wasn't that the wheeled box that weighed around 75 pounds?

FARNSWORTH: Yes, that's right. Hell of a machine. Years later, I'm stunned it didn't sell.

ASAP: Didn't that seem, even back then, to be rather big for a portable?

FARNSWORTH: The Sherp was that big by design. We had the technology to make a small machine—what's now quite obscenely called a laptop—but chose not to. Think about the '70s. People were buying big Cadillacs and Buicks, huge refrigerators and bigger and bigger television sets. Most people still thought of ENIAC when the word computer was mentioned. Big hardware meant big computing. It seemed obvious that some tiny little machine you could throw into an attaché case wasn't going to have much appeal.

ASAP: You lost your first couple of million in the '60s, buying Fairchild and selling IBM. Looking back, could those mistakes have been avoided?

FARNSWORTH: Both moves made absolute sense. Once again, a perverse industry let me down. Young Watson at IBM didn't seem the kind of solid chap Big Blue needed. At a lawn party in Hyde Park, I'd heard him ask for a *vodka* martini. Didn't inspire much confidence, I can tell you. My heavy investment in Fairchild was a relieved response to Sherman Fairchild cleaning house, getting rid of his loose cannons—Noyce, Moore and a few others whose names I can't even remember. It hardly seems fair that the price of stability at Sherm's place was failure. The fellow was rock solid in my book.

ASAP: You eventually put quite a lot of money into Intel, didn't you?

FARNSWORTH: Some people I trusted advised me to invest, despite my misgivings about the leadership. By that time, I believe, there was even a...[he frowns] Hungarian running the company. When I read a *Harvard Business Review* piece predicting that Japanese chipmakers were going to bury U.S. manufacturers, I was only too ready to sell. Too soon, it seems.

ASAP: You were part of the early, unrealistic excitement around artificial intelligence in the '80s. Was that a disappointing experience?

FARNSWORTH: Very. The idea seemed like a no-brainer, though perhaps that's the wrong term. Who would have guessed that pattern recognition was such a big deal—though it may explain why sports reporters have such p[illegible] taste in neckties. But a crack group at MIT had develo[illegible] the core technology, so how could it miss? I've alw[illegible] thought that MIT is almost as good as an Ivy Lea[illegible] school, just not so well-dressed and without good club [illegible]

ASAP: What do you think went wrong?

FARNSWORTH: Other than the fact that nothing wor[illegible] you mean? I suspect it was the term "artificial int[illegible]gence." To me, that sounded like what television exe[illegible]tives have. If it had been called, say, absolute intellige[illegible] referring to the zero and one thing, people would h[illegible] liked it better. Anyway, I took my usual bath in AI inv[illegible]ments that should have been top drawer.

ASAP: What were some of those investments?

FARNSWORTH: Well, there was the breakthrough fu[illegible] logic YNMS chip, which introduced a third elem[illegible] between zero and one—kind of a .5. The acronym me[illegible] Yes/No/Maybe So. It was a phenomenal leap ahead. W[illegible] we didn't anticipate was that given the chance actually [illegible] consider the gray areas between affirmative and negat[illegible] computers wouldn't be able to make up their minds. T[illegible] time for even mundane calculations rose exponentia[illegible] When *PC Magazine* called our product the "twit chip," [illegible] were done for.

ASAP: You also put money into a computer for the d[illegible], didn't you?

FARNSWORTH: True, and I'm still very proud of that p[illegible]ject. Nobody believed it could be done, but Eugene V[illegible]derhooven at EyeCon Inc. was able to create video so[illegible]ware that could actually read sign language so the d[illegible] could use computers just like nondisabled types.

ASAP: Didn't it occur to anyone that hearing-impai[illegible] people could use keyboards like everybody else?

FARNSWORTH: I'm afraid we all missed that, even thou[illegible] it's quite obvious to me now. But we were way ahead [illegible] the software.

ASAP: Were you ever involved in Microsoft?

FARNSWORTH: Absolutely not. You only have to look [illegible] Bill Gates to know he's not dependable. I seriously dou[illegible] he has the pluck necessary for long-term success in t[illegible] business world.

ASAP: But he's become the richest man in the world.

FARNSWORTH: What's your point?

ASAP: I've heard your luck hasn't improved lately.

FARNSWORTH: I'm very, very optimistic. My decisions co[illegible]tinue to be good ones, by and large, and I'm only waiti[illegible] for the technology business to reach the kind of matur[illegible] that lets a rational investor reap the kind of rewards [illegible] deserves. The downside of my misfortunes is that I've lo[illegible] most of my money. The upside is that my risks are mu[illegible] smaller now, and I'm able to get involved with sma[illegible] unknown, underfunded companies. There's a lot of excit[illegible]ment down there—just the kind of sticky wickets I like [illegible] deal with.

ASAP: What's your current project?

FARNSWORTH: I'm thinking about helping out an intrig[illegible]ing company called High Tack. They've come up with [illegible] chip-based saddle that eliminates the need for posting. [illegible] have a feeling this may be the big one.

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NOT ALL ARE SUCKERS' BETS

TECH'S TOP MARKET VALUE GAINERS SINCE THE IPO 1990-1995

By Mary Meeker

1 Cisco *(CSCO)*
IPO Date: *2/90*
MV at IPO: *$226*
Current MV: *$15,307*
Change: *4,933%*
CAMVGR: *106%*
Business: *Networking*

2 Bay Networks *(BNET)*
IPO Date: *7/91*
MV at IPO: *$238*
Current MV: *$5,401*
Change: *982%*
CAMVGR: *82%*
Business: *Networking*

3 First Data *(FDC)*
IPO Date: *4/92*
MV at IPO: *$1,738*
Current MV: *$6,588*
Change: *159%*
CAMVGR: *39%*
Business: *Services*

4 General Instrument *(GIC)*
IPO Date: *6/92*
MV at IPO: *$882*
Current MV: *$4,531*
Change: *393%*
CAMVGR: *67%*
Business: *Cable Equipment*

5 SGS Thomson *(STM)*
IPO Date: *12/94*
MV at IPO: *$2,861*
Current MV: *$6,336*
Change: *122%*
CAMVGR: *122%*
Business: *Semiconductors*

6 Atmel *(ATML)*
IPO Date: *3/91*
MV at IPO: *$189*
Current MV: *$2,887*
Change: *935%*
CAMVGR: *71%*
Business: *Semiconductors*

7 Xilinx *(XLNX)*
IPO Date: *6/[illegible]*
MV at IPO: *$183*
Current MV: *$2,854*
Change: *1,126%*
CAMVGR: *63%*
Business: *Semiconductors*

8 Indigo *(INDGF)*
IPO Date: *5/94*
MV at IPO: *$1,000*
Current MV: *$3,152*
Change: *214%*
CAMVGR: *166%*
Business: *Peripherals*

9 Sybase *(SYBS)*
IPO Date: *8/91*
MV at IPO: *$244*
Current MV: *$2,343*
Change: *389%*
CAMVGR: *49%*
Business: *Software*

10 Stratacom *(STRM)*
IPO Date: *7/92*
MV at IPO: *$103*
Current MV: *$2,031*
Change: *1,514%*
CAMVGR: *152%*
Business: *Telecom*

11 U.S. Robotics *(USRX)*
IPO Date: *10/91*
MV at IPO: *$121*
Current MV: *$1,960*
Change: *829%*
CAMVGR: *80%*
Business: *Peripheral*

12 Qualcomm *(QCOM)*
IPO Date: *12/91*
MV at IPO: *$314*
Current MV: *$2,123*
Change: *442%*
CAMVGR: *60%*
Business: *Telecom Equipment*

13 America Online *(AMER)*
IPO Date: *3/92*
MV at IPO: *$62*
Current MV: *$1,791*
Change: *1,717%*
CAMVGR: *138%*
Business: *Online Services*

14 Ascend Communications *(ASND)*
IPO Date: *5/94*
MV at IPO: *$146*
Current MV: *$1,741*
Change: *1,012%*
CAMVGR: *641%*
Business: *Networking*

15 Intuit *(INTU)*
IPO Date: *3/93*
MV at IPO: *$218*
Current MV: *$1,679*
Change: *330%*
CAMVGR: *85%*
Business: *Software*

FOOTNOTES

List includes only companies that have gone public in the 1990s

MV = market value, which is listed in millions

CAMVGR = compound annual market-value growth rate

Source: Morgan Stanley

ANY UPSIDE LEFT?

Gates, Ellison et al. aren't the last tycoons, but tomorro you may have to settle for nine figures. By Roger McNam

Have the chip-driven opportunities been a fluke? I don't think so. In fact, I expect the U.S. technology markets to produce a steady stream of wealth in the coming decade. Bill Gates, Larry Ellison, Gordon Moore and the other tech tycoons are in the vanguard of a long parade. That said, I suspect that a number of years will pass before someone new from the technology industry reaches the top of The Forbes 400.

The tremendous wealth creation derives from two factors: market opportunity and business model. The market opportunity of the past decade has been dominated by the personal computer; new companies in the PC industry alone now have collective revenues of more than $125 billion per year. Despite the early leadership by IBM, the PC business was from its earliest days dominated by startups. One consequence was that the industry developed a highly fragmented business model, where each company provided only a small part of the overall system and no company accounted for more than a small share of the finished product sales.

This model stands in stark contrast to the businesses that created fortunes for tycoons in the late nineteenth and early twentieth centuries, all of which were based on the principle of vertical integration. In the PC industry, there was no correlation between capital invested and value created. More often than not, the opposite was true. The most valuable franchises in the industry—Microsoft's operating systems, Adobe's PostScript page-description language, Novell's network operating system, Cisco's router protocols, Oracle's database—were essentially pure intellectual property businesses. They required next to no capital to start and grow. As a result, the founders retained huge stakes in their companies, even after public offerings. At the same time, other businesses—notably PC retailers and a variety of second-tier suppliers of software and hardware—often required huge capital outlays, but yielded next to no intellectual property or market value.

The central question now is whether the new market opportunities and business models will match those of the PC business. I have no doubt that the market opportunities are huge. While the PC business is maturing, several other opportunities are emerging to replace it. The most notable of these is client/server computing, which will combine the technology of perso computers with networking to improve organization's communications and bu ness efficiency. In addition, the trend tow greater mobility—and working outside office—is stimulating a sizable demand wireless telephones, pagers and portal computers and other communications pro ucts that don't depend on location. And, the not-too-distant future, we can exp the information superhighway to create hu business opportunities related to the del ery of information and entertainment se vices to homes and offices. Each of the opportunities—client/server, mobile co munications and interactive media—prom es to generate revenue opport nities over the next decade or tw on a scale comparable to toda PC industry.

The answer to this questi will depend on the business mod that develops in each of the ne industries. The wireless and info mation highway opportunities w both require enormous amour of capital. Even in the computer industr the economics have begun to shift towar more capital-intensive businesses. A deca of underinvestment in capital equipme has led to a chronic shortage of memo chips, with the result that the current pr ducers are reaping monopoly profits. addition, the most successful companies the past decade are employing various int gration strategies to extend their dominatic into the coming markets. These major con panies—Intel, Microsoft, Oracle, Cisco al—are not asleep the way that IBM, DE and other industry leaders were in the ear 1980s. This does not mean that the tech nology markets will not produce more bi lionaires. It just means that no one wi become a billionaire without considerab effort.

I frequently read stories about inner-cit kids who hope to become sports stars s that they can become rich. The storie always try to make the point that the odc of making it as a professional athlete ar small, and that preparing for such a caree leaves kids with relatively few valuable lif skills. Perhaps young people aspiring t great wealth should consider a career i engineering as an alternative. There's plen ty of gold left in those hills.

Roger McNamee is a general partner of Inte gral Capital Partners, a Menlo Park, Calif. family of partnerships.

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VENTURE CAPITAL HOLDINGS THEN & NOW

Venture capitalists are famous for bailing out at the IPO. Take Sequoia Capital's investment in Cisco: Sequoia put in $2.9 million and took out $52 million. A nice return. But if the firm had held, its shares would be worth $2.4 billion today.

Companies IPO Date & Price per Share	Venture Capital Firms & Responsible Partners	VC Firms % & No. of Shares Owned *(in thousands)*	Value of Holdings at IPO vs. If Held *(in U.S. $ thousands)*	Stock Splits
Dec. 1980/$22	Venrock Associates *Peter Crisp*	7.6% 3,800	83,600 345,000	*Apple's stock split 2:1 in 1987.*
	Arthur Rock & Associates *Arthur Rock*	1.3% 640	14,000 54,600	
CISCO SYSTEMS Feb. 1990/$18	Sequoia Capital *Donald T. Valentine*	29.1% 2,900	52,000 2,400,000	*Cisco's stock has split four times, each time 2:1. Donald Valentine's personal IPO shares would be worth $296M if held.*
COMPAQ Dec. 1983/$11	Sevin Rosen Management Co. *Benjamin M. Rosen & L.J. Sevin*	18.9% 3,650	40,200 821,300	*Compaq's stock has split twice: 2:1 in 1990 and 3:1 in 1994.*
	Kleiner, Perkins, Caufield, & Byers *L. John Doerr*	13.6% 2,600	28,600 585,000	
	L.F. Rothchild Unterberg Towbin Venture Capital Fund	5.3% 1,000	11,000 225,000	
Microsoft Mar. 1986/$21	Technology Venture Investors *David F. Marquardt*	6.1% 1,400	29,400 3,136,000	*Microsoft's stock has split five times: Sept 1987, 2:1, April 1990, 2:1, June 1991, 3:2, June 1992, 3:2, and May 1994, 2:1. David Marquardt's personal IPO shares would be worth $465M if held.*
SiliconGraphics Computer Systems Nov. 1986/$11.25	Mayfield Fund *Glenn M. Mueller and A. Grant Heidrich III*	18% 1,800	20,300 295,000	*Silicon Graphics's stock split twice, 2:1 in Feb. 1992 and 2:1 in Dec. 1993.*
	New Enterprise Associates *C. Richard Kramlich*	6.5% 661	7,400 108,000	
	Sevin Rosen Management Co.	6.3% 644	7,200 105,500	
	Interwest Funds	4.9% 500	5,600 82,000	
Sun Mar. 1986/$16	West Coast Venture Capital *Douglas Broyles*	11.7% 2,800	44,800 252,000	*Sun's stock split 2:1 in 1988.*
	U.S. Venture Partners *Robert Suckman*	9% 2,100	33,600 189,000	
	Kleiner, Perkins, Caufield, & Byers	5.9% 1,400	22,400 126,000	
	Technology Venture Investors *David F. Marquardt*	5.5% 1,300	20,800 117,000	
	U.S. Ventures S.A.	5.5% 1,300	20,800 117,000	

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TELECOMMUTING: ROUND TWO

VOLUNTARY NO MORE

Gone are the days when telecommuting was a privilege a boss granted an employee in a bind. Now companies, eager to slash costs, are the ones urging employees to telecommute—and this new trend is spawning fresh challenges. By Alice LaPlante

By mid-1993, Carolyn Fairbank had been happily employed as a program manager in American Management Systems' financial service practice in Fairfax, Va., for more than five years. Then her husband dropped a bomb: He wanted to move to Knoxville, Tenn., to help grow the family business—a year-round Christmas retail store catering to Smoky Mountain tourists.

Fairbank tentatively approached her boss, AMS Vice-President Robert Kramer, with a proposal. She would set up a home office in Knoxville, and continue to work for AMS as a telecommuter—using a telephone, a fax and a PC hooked electronically to the home office.

Kramer agreed. "This was not a hard decision," he says today. "Carolyn had these subspecialist skills in finance and credit processing that we absolutely needed to retain."

Today, Fairbank is the prototypical virtual employee. Her main office is in her Knoxville home, but she is frequently on the road visiting clients, and carries her 486 laptop computer—equipped with a modem and a suite of office automation software—so she can type reports, dial into e-mail, send and receive faxes, and otherwise be available to colleagues and clients. She still has periodic face-to-face encounters with coworkers in the field, and she spends an average of five days a month in Fairfax, where she keeps an office and an administrative assistant, but "most of my interactions are either electronic or happen via telephone," she says.

Rather than watching her career suffer because she'd pulled herself from the organizational mainstream (an early telecommuting myth), Fairbank has steadily ascended the AMS corporate ladder. Now senior principal of AMS's financial service practice, she received her second major promotion the same month she moved to Tennessee.

A few years ago, Fairbank's arrangement would have been considered extraordinary—a major concession extended to a special employee under highly unusual business or personal circumstances.

No longer. Link Resources, a New York-based research house, estimates that the number of telecommuters will increase from 5.5 million in 1991 to more than 10 million by 1998. The Department of Transportation predicts that a full 15% of the U.S. work force will be telecommuting by 2002.

In a 1994 Conference Board study, employers enthusiastically cited enhanced worker productivity, the ability to retain valuable employees, and increased employee loyalty as the benefits they'd gained from early telecommuting programs. And, as evidenced by aggressive telecommuting programs under way at companies such as Compaq, Xerox, Hewlett-Packard and Perkin-Elmer, the second wave of telecommuting has started.

Companies are moving from informal agreements with individual employees to structured programs with work groups or even entire departments. To slash operating costs, the companies are closing costly regional offices, cutting staff and pushing employees into nonoptional telecommuting arrangements.

Xerox began its current virtual sales office program—which it calls "Work from Anywhere"—by ramping up on the electronic access tools it provided to marketing reps in its Southwest sales and marketing territories. Xerox reps can download the most up-to-date product and pricing data from corporate databases onto their laptop computers; transmit new sales orders electronically via telephone lines; even check on inventory and the delivery status of pending orders.

"These tools not only allowed our reps to be more productive out in the

field, but largely eliminated the need for them to come into the office. And if they don't need to come into the office, why keep the office?" asks Wendy Starr, manager of life cycle programs and policies at Xerox.

When Xerox's work force transformation is complete, between 3,000 and 4,000 sales and marketing representatives will no longer have individual personal office space. Although the main Xerox sales sites will remain open—and senior managers will retain desks and skeleton staffs for administrative support—eventually all Xerox field workers will work under what Starr calls the "airport red-carpet room" concept. That is, district offices will act as business hubs that roving employees can drop into, but the one-person-one-office concept will be a thing of the past.

Telecommuting gurus worry about this more aggressive approach, and warn against a "telecommuting backlash" that could reverse early successes. Here are some common mistakes made when a company is too anxious about short-term savings:

- Not providing adequate computer equipment, telecom hookups or support services to home workers.
- Not creating strategies to combat the social and professional isolation that can plague telecommuters.
- Not making sure the employee has suitable work space—or an appropriate domestic situation—to be productive in the home.
- Not effectively helping employees manage the stress that can arise from eroding barriers between work and personal lives.
- Not absorbing the telecommuter's cost of doing business.

But the biggest mistake a company can make "is not permitting employees to telecommute at all," says Paul Rupert, a flexibility consultant with Rodgers & Associates in Boston.

Employees Absorb Costs

Many telecommuters of the first wave have willingly absorbed costs of telecommuting that should rightfully have been picked up by their employers.

Fairbank's case is instructive. When she and her husband went house hunting for themselves and their two small children, they bought a bigger house than the family otherwise needed, to accommodate an office. In addition, there are the utility costs to operate the computer, the fax machine, lights and the heating and air conditioning equipment. At [illegible] own expense, Fairbank installed [illegible] extra phone line for faxes, e-mail [illegible] file transfers. She estimates she spe[illegible] about $50 a month for calls made [illegible] this "data" line; she opted not to [illegible]stall a second dedicated business li[illegible], but instead uses the family phone l[illegible] to make voice calls, charging long-[illegible]tance calls directly to AMS wit[illegible] corporate calling card.

Fairbank also purchased office f[illegible]niture, a printer and fax, and routin[illegible] pays for small supplies. "I figured t[illegible] this was my idea, after all, and t[illegible] AMS had cut me a good deal," s[illegible] says. She still maintains an office [illegible] Fairfax, which AMS pays for, a[illegible] "AMS also pays for my travel a[illegible] commuting costs, so it seems approp[illegible]ate for me to pick up expenses asso[illegible]ated with this extra office."

This attitude is surprisingly rep[illegible]sentative—even for involuntary te[illegible] commuters. Eight months ago, J[illegible] Callan, a programming analyst wit[illegible] the Prudential's realty group, a divisi[illegible] of Prudential Insurance Co., was giv[illegible] a 486 PC, an HP LaserJet printer a[illegible] two additional telephone lines, and t[illegible] to go home and set up a home offi[illegible] (Prudential was about to move its rea[illegible] group from Newark to Parsippan[illegible] N.J., and wanted to reduce its personn[illegible] by 60% to 70%.) Callan uses [illegible] spare bedroom as his office [illegible] for which he doesn't get rei[illegible]bursed—and also purchased [illegible] own office furniture. And t[illegible] is just fine by him.

"I don't have to drive t[illegible] 15 miles to work. I don't ha[illegible] to wear a suit or spend mon[illegible] on business clothes. And lun[illegible] is cheaper—I just walk in [illegible] the kitchen and see what's [illegible] the refrigerator," Callan says.

In many cases, this emplo[illegible]ee absorption of costs mak[illegible] sense, says Gil Gordon, pres[illegible]dent of Gil Gordon Assoc[illegible]ates, a telecommuting consu[illegible]tant in Monmouth Junctio[illegible] N.J. But he warns that it ca[illegible] be counterproductive if a bus[illegible]ness forces an employee t[illegible] work from home and the [illegible] doesn't pick up associated e[illegible]penses.

Employee Burnout

Telecommuting pioneers say that many managers of telecommuters have yet to understand that they must take an active role to prevent employee stress and burnout.

"Employers run the risk of pushing employees from the idea of having an 'anytime-anywhere' office to being trapped in the 'all-the-time-everywhere' office," says Rupert of Rodgers & Associates. "A lot of telecommuting employees find they can't control the 'off' switch. A good manager must be attentive to this."

Xerox recommends that all work groups set guidelines, with appropriate times to call an employee at home and reasonable expectations for responding to e-mail, voice-mail and fax requests. Most important, says Jerry Cashman, work-options program manager for Hewlett-Packard in Palo Alto, Calif., a company must recognize that employees need downtime.

For a telecommuting program to be successful, a company must examine its management style. "An old-style command-and-control supervisor will not yield the best results in telecommuting, and indeed it can be argued that this style of management doesn't work very well even when employees are in the office," says Arlene Johnson, vice-president of Families and Work Institute, a New York think tank.

Inadequate Resources

The single biggest logistical hassle facing many telecommuters is that they are not adequately supplied with the necessary hardware and software, telecommunications services and clerical support.

Surprisingly, few businesses provide the two extra telephone lines required by most business telecommuters: one for "data"—for checking e-mail, sending and receiving faxes, and connecting to host computers or servers in the home office—and one to make standard "voice" telephone calls.

VLSI, a Hewlett-Packard development lab in Roseville, Calif., provides all its telecommuters—currently about

HOTELING

Sure, an aggressive telecommuting strategy can slash real estate and other costs. But some telecommuting employees *do* occasionally need a base. The solution? Hoteling.

With hoteling, companies send most employees home to work. But they keep an office open that serves as a management control center, offering administrative support and a number of empty "hotel offices" that telecommuters can use.

In April 1994, the telecommunications group of American Management Systems, a management consulting firm, moved from its Rosslyn, Va., office to AMS's Fairfax, Va., headquarters. "We'd faced this dilemma for a while: how to accommodate employees who were rarely in the office, yet who periodically needed to come in and work on-site," says Jeff Jones, facilities manager of AMS's telecommuting group. Such individuals in the past had simply been assigned permanent offices—which sat empty 80% of the time.

AMS took a long, hard look at which telecom-group employees actually used their offices on a regular basis. These workers were assigned space in the new building. But 30 other employees were told they no longer had a permanent place to work on-site. Instead, Jones created seven "hotel offices"—with custom-built desks on which sit office computers and printers connected to the AMS network—that could be reserved by any telecommuting employee on a daily or weekly basis.

Jones then provided these employees with what he calls "pedestals," mobile carts that contain the guts of the custom-made hotel desks: four full-sized desk drawers, two file drawers and additional storage containers. The pedestals are stored in the basement of the new AMS building; when an employee calls in to reserve a "room," Jones's staff carts the pedestal to the office and outfits the desk to prepare a personal workspace for the telecommuter. Telecommuters can access e-mail and hook into AMS's local area network (LAN) and wide area network (WAN) from the desktop.

How's it working? AMS's telecom group has slashed its annual real estate costs by $250,000, and streamlined its other operating expenses, including utilities, storage and administrative personnel costs. —A.L.

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In short, innovation is the engine that drives progress.

Innovation Crucial to Success

Innovation is not a luxury for American business. It is a fundamental, core element of business success – especially today, when the rate of technological change has increased exponentially. Markets appear and disappear overnight as breakthroughs occur daily, creating goods and services that were barely imaginable only a few short years ago.

That points to one truth for everyone in business today: To survive, you must innovate.

It's no exaggeration to say that the history of 20th-century American business has been written by its innovators. Our success, our wealth and our world leadership were made possible by those who – like Thomas Edison – harnessed technology in the service of imaginative vision. While others may profit by refining and extending what exists, America has made its mark with giant steps that turn entirely new concepts into everyday products.

That spirit drove Edison, making him the quintessential American innovator, the father of more than 1,600 inventions. It's a spirit that still lives in America, and nowhere does it bre more strongly than in Ohio, the p of his birth.

The state's Thomas Edison Progr founded in 1983, is a far-reaching public/private partnership that ha gained national recognition and v spread acclaim. Administered by Ohio Department of Developmen involving more than 700 corporat the program is dedicated to foster innovation and entrepreneurship. administers a cohesive network o business incubators, development funds and technology centers aim at strengthening and diversifying state's economy. It also bestows t prestigious Thomas Edison Awar an annual, national honor recogni companies that demonstrate a continued dedication to applying new technologies, whether or not they are in Ohio.

Honoring Today's Innovators

In 1993, the first Thomas Edison A was presented to Procter & Gambl its pioneering initiatives in product development, employee welfare an environmental management. By

ADVERTISEMENT

# of Innovation

Kinetophone, 1895

First Light Bulb, 1879

applying Total Quality Management as a tool for environmental improvement, P&G has reduced plant waste, increased recycling and lessened the amount of packaging for its products. The company's innovations have made it a world leader in reducing the environmental impact of products, packaging and manufacturing.

Speaking of his company's Edison Award, P&G Chairman and CEO John Pepper says, "We were proud to receive the first Thomas Edison Award because it recognized the dedication and achievements of P&G people throughout the organization. But even more important, we were proud to win because we at P&G embrace the spirit of innovation that was at the heart of Edison's genius: the belief that no idea is ever as good as it can be."

That observation is echoed by Wolfgang Schmitt, chairman and CEO of Rubbermaid, the 1994 winner. He says, "The thrill of winning this important award, named for Thomas Edison, is that it reminds us that we work in his light, which showed how innovation truly can change the way we live."

Rubbermaid was honored for its continual commitment to creative efforts: In 1993, the company produced an average of one new product a day. The firm expends a substantial 14% of profits on research and development, a level justified by the fact that nine out of ten new products that Rubbermaid launches are business successes.

This year, candidates for the Thomas Edison Award ranged from small startup firms to large multinational companies. The 1995 honoree – to be announced at a gala reception at the National Inventors Hall of Fame in Akron on Oct. 18 – is the company that virtually created the on-line information services industry.

All candidates this year shared one trait: Not satisfied with the way things have always been done, they have sought better ways to serve customers – and society – with new products and processes that improve all our lives. They have taken an idea and made it real by bringing it to market.

It is to help such companies succeed that Ohio originally founded the Thomas Edison Program. And it is to honor them that we bestow the Thomas Edison Award – not just to keep alive the memory of America's greatest innovator, but also to inspire the innovators of today and tomorrow.

Who Will Triumph In '95?

In the last year, there has been an explosion of interest in the world of on-line communication and its application to businesses and consumers alike. Reading much of the press, you might think that this technology hadn't existed before the 1990s.

But one company was there nearly 20 years ago, blazing trails that others have just begun to follow. That company is the winner of the 1995 Thomas Edison Award.

Who is it? To find out, look for our announcement in the Dec. 4 FORBES ASAP.

For more information on the **Ohio Department of Development's Edison Program** call 1-800-345-OHIO.

30—with duplicates of their high-end office Unix workstations and high-speed ISDN data links, some with dedicated business voice lines. The cost is approximately $4,000 a year per employee to lease the extra equipment, including additional telecom charges. But Margie Evashenk, the lab's R&D project manager, says it doesn't make sense to do any less. "You can't take half-measures if you expect people to be fully productive," she insists. On the other hand, she says, she expects a lot more work out of employees who request telecommuting arrangements. "Given the investment we're making, I think it's reasonable to see some return," she says.

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The Virtual Watercooler

Early telecommuter fears centered on the employees' social isolation. Today, businesses are beginning to wake up to a different slant of that same fear: Valuable business used to be transacted at the coffee machine, the watercooler or the impromptu departmental lunch.

In short: Isolating workers in their homes not only diminishes their social life, but deletes some indefinable—but critical—aspect of corporate culture that leads to dynamic businesses. "No one quite knows how much of what is absolutely essential to keeping a business alive is due to the nebulous nature of spontaneous employee interactions," says telecommuting guru Gil Gordon.

"We knew that an awful lot of important communication took place informally—by the watercooler, or by bumping into someone in the hallway," says Bob Bavis, director of sales and service in North America for manufacturer Perkin-Elmer. The company recently closed 45 sales offices and sent employees home to work.

But technology may also alleviate the problem: As telecommunications bandwidths and processing costs decline, the use of video conferencing, virtual meeting spaces and, of course, continued exploration of groupware should help, says consultant Gordon, who calls this "creating the virtual watercooler."

CASE STUDY: Perkin-Elmer

Bob Bavis remembers walking into the San Jose sales hub of Perkin-Elmer three years ago to find empty offices and echoing hallways.

"I looked around and asked, 'Why are we paying for all this space?' If they're doing their job, our sales and engineering reps spend most of their time on the road," says Bavis, director of sales and service for North America for the Norwalk, Conn., maker of scientific and laboratory equipment.

Two years ago, Perkin-Elmer began consolidating more than 50 outlying sales offices scattered around the country; today there are just seven. The company gave each sales and service engineer a furniture allowance of $1,000, plus a fax machine, a 486 laptop computer with modem, and two telephone lines, and told them to set up telecommuting offices at home.

AVERAGE STARTUP COST

$4000+ per telecommuter (depending upon computer equipment, copier, fax, etc.)

MONTHLY COST

$200 or more in phone bills, paper, etc.

Source: Gil Gordon, Gil Gordon Associates, Monmouth Junction, N.J.

Marianne Gardiner is a Perkin-Elmer district sales manager based in Denver, who oversees a 10-state region and dozens of sales and service personnel—all of whom now telecommute. She was delighted with the plan, feeling that her employees would spend more time with customers and become more productive without the distraction of commuting and office politics.

"My main challenge was to keep the team spirit going, because that can go away very, very easily," says Gardiner. She thus schedules monthly meetings for all employees in each of her local districts to ensure everyone gets together to compare notes and socialize.

One big change for Gardiner was electronic accountability. She carries a pager, a cellular phone and a laptop—and constantly checks her voice m Most employees who report to her similarly equipped. And all have cop of each other's electronic schedules.

At the beginning, Gardiner adm previously footloose sales reps suspe ed "Big Brother" control. "But or they understood how dramatically work environment was changing, m realized it made sense," says Gardin

CASE STUDY: Hewlett-Packard

High-tech manufacturer Hewle Packard was an early telecommuti pioneer, establishing pilot programs 1990.

Today, more than 2,500 HP er ployees telecommute at least one day week. Although most hold a "field" p sition—such as customer service eng neer, sales rep, or equipment mai tainer—increasingly, nonmobile er ployees such as call-center personn and design engineers are telecommu ing, says Jerry Cashman, work-optio manager for HP in Palo Alto, Calif.

R&D project manager Marg Evashenk has been telecommuting se eral days a week for almost three year Her prime motivatio for developing telecom muter options: increasir productivity while mo effectively balancing t scientists' difficult hom and work lives.

"Chip designers nee to launch complex com puter simulations, whic run over 12- to 14-hou periods. We don't recog nize regular office hou or weekends anyway often, upon finishing the analysis c one simulation, another job needs t be launched immediately," Evashen says. Telecommuting gives her th flexibility of launching and checking o jobs at night and on weekends, withou having to drive the 30-plus minute into the office.

She's also found that days in whicl she stays home are much more produc tive. "I get the equivalent of three day of work done because I'm not bein distracted or interrupted."

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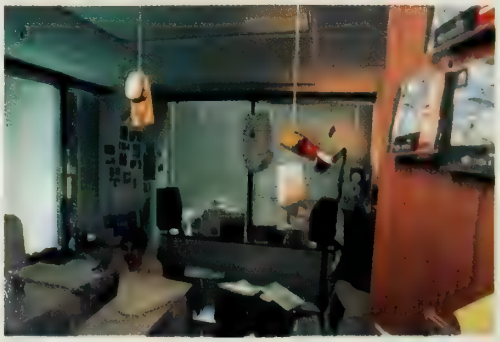
MICROSOFT

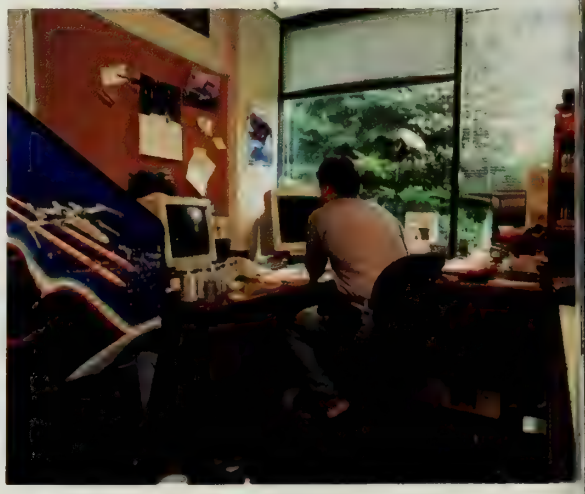
Photographs by William Mercer McLeod

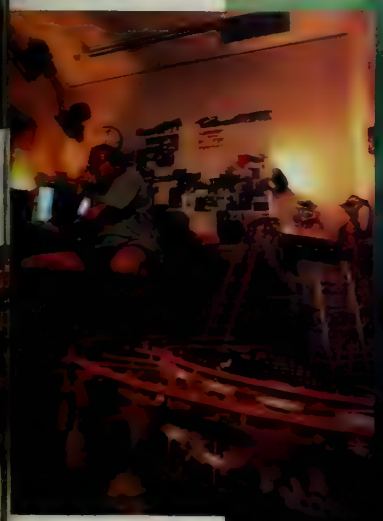
Still Crazy After All Those Bucks

The life cycle of technology companies is well-known: Things start small and creative; as the chance for success grows, so does the excitement—long hours, fever-pitch adrenaline, collegiate mayhem; then comes the IPO, fortunes are made, everybody buys a suit and a Porsche, the big name architect is hired to design the headquarters and rigor mortis begins to set in.

Is this ordained? Not anymore. As evidence that rigidity need not be destiny, we offer a photojournalist's picture album of programmers hacking through the final development of Windows 95. Microsoft is one of the most important corporations in the world today, a U.S. Steel or General Motors of the computer age, with a valuation of $56 billion. But—so far, at least—the place doesn't seem to be entering middle age.







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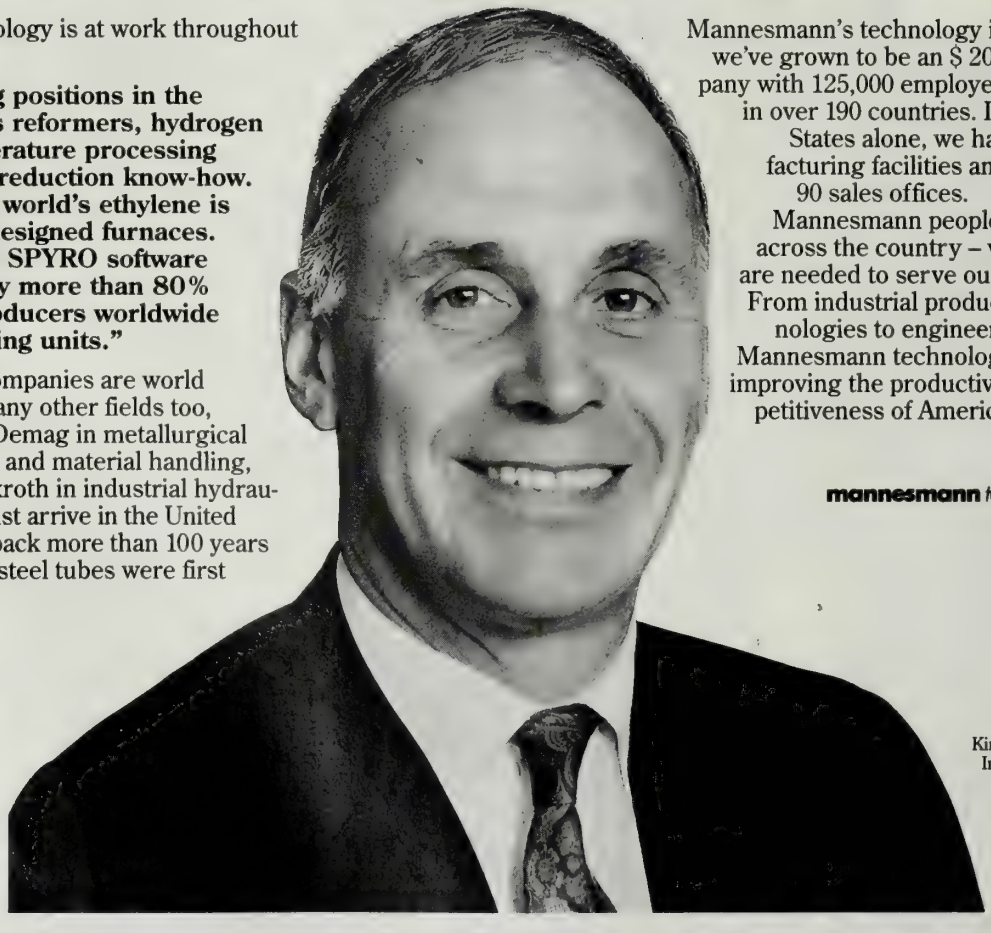

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NETWARE VS NT

You might be happy with Novell NetWare—and surprised at what you're missing. By David Strom

If you own a network file server, chances are it is running Novell's NetWare. But before you get too comfortable, you may want to think about changing to another network operating system.

Why? Can you save money or have better systems support for your business by choosing another product? That depends on the kind of network configuration you have, the skills of your support staff and where you intend to be in a few years with your business and computing needs.

What are the alternatives to NetWare? Most prominent is Microsoft's Windows NT Server, which has been available for several years and was upgraded this past summer to a new version. Products are also available from Banyan Systems and IBM. All do essentially the same job of sharing files and printers across a network. However, opinions differ as to which companies are the best business partners.

"Nobody does file and print server software better than NetWare, but the architecture is changing as the client/server industry matures and proves itself," says Charles Ledbetter, a network engineer with systems integrator Valinor Inc. Ledbetter, who has installed both NetWare and Windows NT servers in a variety of sites, is bullish on Novell: "They are a strong company and have a huge third-party market that will be around for a long time to come."

Novell and Microsoft clearly have the most interest and loyalty at this point. "IBM doesn't have a clue. Enough said," says Jesse Rodriguez, director of information technologies for the Tucson Unified School District. The school district has more than 5,000 machines on both NetWare and Windows NT servers, and is moving its administrative network over to Windows NT. "We have currently decommissioned 24 NetWare systems and replaced them with Windows NT. Microsoft provided us with a much better deal, and it makes sense to us to use their products from the client all the way up to the server," he says.

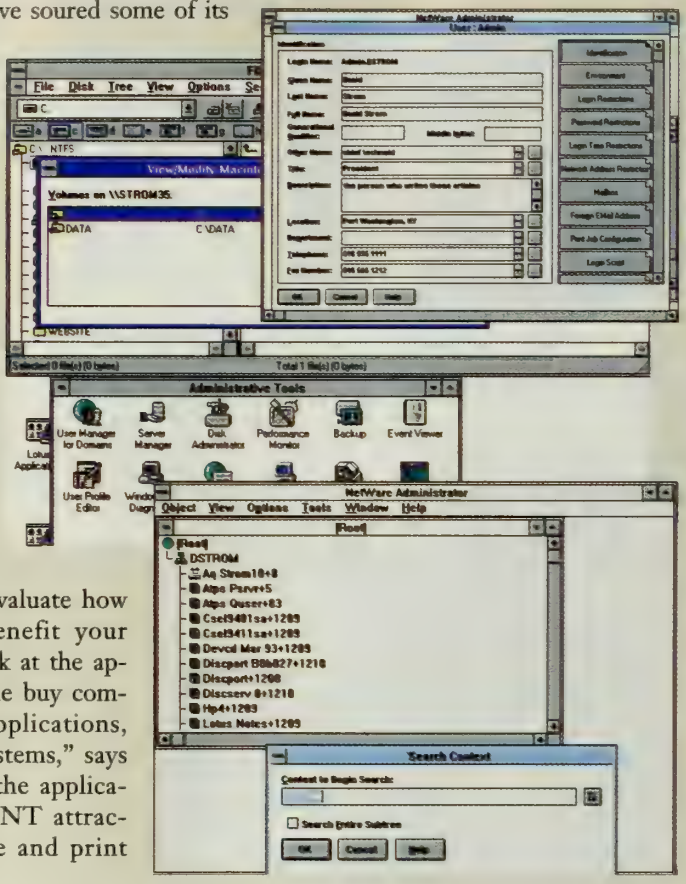
Ledbetter, like Rodriguez, is also down on IBM: "IBM still hasn't figured it out. They almost insist that you turn over your entire system to them to install their hardware, software and then bring in a team to configure and run it full time," he says. "If IBM could get their vision aligned, they could be a huge force. Until IBM stops suffering from self-inflicted wounds, they'll remain a second-tier LAN company."

1 Should you stick with NetWare? Not everyone should switch. "If you have a huge number of NetWare servers in the organization, lots of NetWare expertise and, most important, you don't need the applications that run on Windows NT, then by all means stay with NetWare," says Ledbetter.

Otherwise, consider the alternatives, which for many people should be Windows NT. "My current recommendations are that small businesses that run under a dozen servers and have limited IS [information systems] support go with NT rather than moving to NetWare version 4. Large NetWare installations should continue to stay with NetWare and move to version 4," says Bob Matsuoka of SOHO Internetwork in New York City. At his office, Matsuoka runs 12 NetWare version 3 servers with more than 2,000 users, and also supports two NetWare version 4 servers with about 200 users. "I'm motivated to convert primarily to

simplify administration and configuration, and also to consolidate some applications such as electronic mail and Internet services on a single platform," he says.

The various versions of Novell's operating system have soured some of its customers on the process of upgrading. Users who have gone from NetWare to Windows NT offer this caution: "Anyone making the migration should do so not because NT is new and 'neat,' but because it makes good business sense," says Rodriguez.



One way to evaluate how a switch can benefit your business is to look at the applications. "People buy computers to run applications, not operating systems," says Ledbetter. "It's the applications that make NT attractive, not the file and print services."

2 What are the costs of support? Figuring out the cost of supporting your network is not easy, but it's a consideration that can have immediate payback by paring overhead. "When you get past the techie issues, you have to look at what it will cost to keep the system running. The price/performance ratio was clearly in NT's favor," says Rodriguez.

"NetWare is arguably more difficult to support than Windows NT. But Microsoft's strategy does lend itself toward remote administration, much more so than NetWare. Almost all of the NT tools can administer a remote site over the network or a modem," says Ledbetter.

"NT's interface is graphical, making it very easy to use. You just point and click," says Rodriguez. But with NetWare, some tools work on client machines (typically running Windows or DOS) while others work directly on the server itself. This means that more skilled engineers are required, who have to learn several different interfaces and tools.

But the cost savings between the two systems may in fact be minimal. "Based on what we've seen, I would have to say the staffing needs would be the same for both," says Rodriguez.

One thing in Microsoft's favor is its on-line support, available via the Internet. "It is a lot easier to figure out how to solve problems with Microsoft's on-line resources than with Novell's," says Matsuoka.

3 How helpful is the vendor? Novell has become big and bloated, while Microsoft is lean and mean when it comes to marketing. Microsoft has tried to gather market share in the network server business by being more accessible to its potential customers.

"As we worked through problems with NT, there was always a Microsoft person we could talk with and Microsoft engineers would periodically stop by for a visit to see how we w doing," says Rodriguez. "They a have ongoing seminars that h proven relevant to us, and their dev opers' reference materials have be lifesavers. When we tried to upgr to NetWare version 4, it was a fiasc Novell would not return calls. Or if were able to make contact, they wo never get back to us with a response

4 How easy is the server to insta Another factor to consider is h easy it will be to install and config your network server. "NT is a dre to install and work with," says Ro riguez.

"NetWare requires about twice three times the time as well as consi erably greater experience than NT adds Matsuoka. "It took me about week, starting with no experience, get up my first NetWare server, wh NT took an afternoon or so to g running."

5 What about directory service Novell's biggest push on both t marketing and technical fronts is create demand for its NetWare Dire tory Services, or NDS. This featur available only on NetWare version servers, allows network administrato to set up an entire enterprise quick and to present a consistent and cohe ent view of network services to a users. That's the theoretical concep anyway. In practice, few products wo with NDS, and most have come on t market only in the past six month Novell has also made it difficult for i existing customers to migrate to ND from earlier versions of NetWare.

Customers are mixed in their inte est in NDS. "As for third-party su port for NDS, it is irrelevant to us this point," says Rodriguez. But Ma suoka notes, "Third-party support f NDS is extremely important to us b cause Novell does not make many the network applications and servic we run."

David Strom, a frequent contributor to Forbe ASAP, *runs both Windows NT and NetWare his own consulting firm in Port Washington, N.* *He can be reached via the Internet* *david@strom.com.*

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DEWANG MEHTA
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The world's best brands, and probably best-known rivals, Coca-Cola and Pepsi, may fight cut-throat battles the world over for market supremacy. But, when it comes to outsourcing their software requirements, they may choose one common source without any hesitation: Indian software expertise.

The reasons are obvious. Here is one country that offers cost-effectiveness, great quality, high reliability, speedy deliveries and, above all, use of state-of-the-art technologies in software development; one industry that is growing by more than 50 percent annually; one nation where more and more Forbes 500s companies are outsourcing software to retain their competitive edge.

General Electric, AT&T, IBM, Reebok, Levis, Caterpillar, Citibank, American Airlines, British Aerospace, General Motors, Fujitsu... are amongst the international giants who are already partnering with Indian software houses. The list is almost endless...

DEWANG MEHTA reports on these new stars on the global horizon, who are unleashing quality software solutions...

They may be less visible in the U.S., but the Formula 1 cars that compete on the Grand Prix circuits of Europe, South America and Japan are easily the world's most technologically advanced autos, bristling with sensors, computers and electronic motors that control the throttle, brakes, steering and suspension.

An exciting ride in a Formula 1 car – or the latest sports model of BMW, Porsche or Alfa Romeo – may be the ultimate thrill, but just take a minute to think about the sophisticated process that has made it possible for these marvels in technology to have been visualized, designed, manufactured and delivered to you.

Hundreds of stages are involved in converting the initial concept or idea to a vision, to a design, to a manufactured product and to its ultimate delivery – a process that can be any business manager's nightmare. And the driving force – quality software solutions – for many of these autos comes from software houses in India. From sports cars to spacecraft, from classical music to fine art, from modern buildings to monuments, the creation of a masterpiece requires a unique blend of intellectual capabilities of the highest degree and extraordinary skills acquired through years of experience. A master-craftsman personifies both technology and art. Today, the Indian software industry is increasingly regarded as a powerhouse of mastercraftsmen: an industry that has emerged as a leader in providing software solutions to businesses around the world.

Thousands of ATM users of Citibank in the U.S., Deutsche Bank in Germany, Hongkong and Shanghai Bank in the Far East or ANZ Grindlays Bank in Australia can thank software engineers in the Silicon Valley of India for the efficiency and state-of-the-art technology of their ATM machines. As a matter of fact, passengers traveling on American Airlines, British Airways, Singapore Airlines or Swissair may not realize the role played by a group of software engineers in India in allowing these airlines to run their flights on schedule. Thanks to a software company in New Delhi, the world had one of the most sophisticated computer displays at the Barcelona Olympics in 1992; the same company has been shortlisted for the Atlanta Olympics in 1996. The message is clear: Software companies from India are the new stars on the global horizon, giving their partners a competitive edge.

The India Advantages

Companies around the world are gaining competitive advantage by using Indian software services that offer high quality, cost-effectiveness, time savings, state-of-the-art technologies and, above all, reliability.

- **Quality** is the hallmark of Indian software services. ISO 9000 certification and SEI Level 5 certification are the order of the day.
- **State-of-the-Art Technologies** including CASE Tools, OOPS, GUI, Client/Server, 4GL, Networking and much more are widely prevalent.
- **Reliability** – the master craftsman software programmers from India are able to provide expertise for small or large projects with dollar savings, use of high-speed datacom links (providing a virtual 24-hour development center) and excellent project management skills. The motto being ultimate adherence to delivery schedules and customer satisfaction.
- **Cost and Time Savings** – the offshore software development in India provides immense cost and time savings. No wonder outsourcing software requirements to India is the best business strategy.

World-Class Products

Already the list of international software giants who have landed in India – IBM, Microsoft, Novell, Oracle, AT&T, Fujitsu, Motorola, Digital, Hewlett Packard – reads like a Who's Who of the global software industry. Moreover, many manufacturers, including Philips, General Electric, IBM, Reebok, Fujitsu, British Aerospace, General Motors and Sears, are keeping ahead of their rivals thanks to competitive advantage conferred on them by some of

Execution of large software projects in India – high reliability, speedy deliveries and great quality.

the best software companies in India.

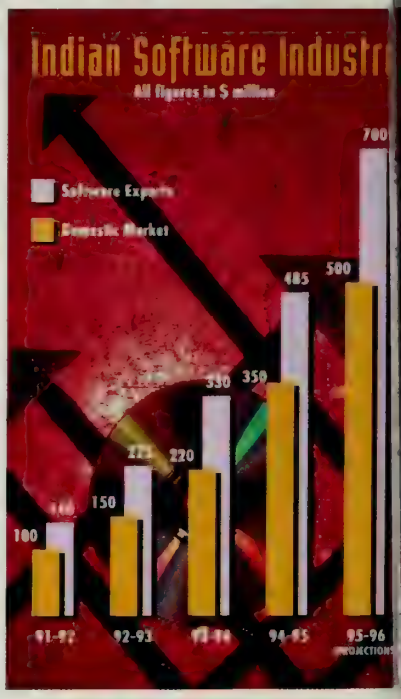
India's leadership in providing customized software solutions has been widely accepted. However, its success story in product development was first acknowledged when *Byte* magazine proclaimed the country's software product 'Instaplan' as one of the best project management packages in the world. Developed by Wipro, a leading information technology company in India, Instaplan was an immediate success in the U.S. The Global R&D Division of Wipro has recently designed 486-based multimedia systems, Pentium-based symmetric multi-processing boards, LTS communication servers, and has also helped to port Solaris, Sunsoft's Unix operating system, to Intel platforms.

Tata Consultancy Services (TCS), the top software company in India, has produced a world-class financial accounting software package including E.X. (Everything Else is Complex) and R2, the Executive Information System. Major banks all over the world are eagerly waiting for the launch of TCS' banking software package – QUARTZ. At the same time, NIIT, a leader in the training industry, has already developed a number of multimedia training solutions and CBT packages. Automaker TELCO, located in the Deccan Plateau of India, has launched a world-class Computer Aided Software Engineering (CASE) Tool package. The Bombay-based Geometric Software Services (GSSL) has released impressive CAD/CAM products. Calcutta-based Vedika's fina accounting package FACT has alr captured the market in Singapore. recently, ACT, the largest fina software products and services group i world, chose Delhi-based Internat Informatics Solutions (IIS) to develop new range of products based on O techniques. Quality, costs and state-of art skills were the main reasons for choosing the Indian company.

That's not all. Within w of the launch of Windows Indian software compa were not only ready with versions of their own prod but were busy porting proc of many global soft companies around the w to Windows '95. In many U.S. software gian Microsoft, Oracle, Novell ComputerVision, for inst – are setting up their R divisions in India and working with In software companies to develop Europ and Japanese versions of their prod and packages.

The Indian Mystique

What's the mystery behind the succes the Indian software industry? Accordin a World Bank survey, it has already ear the number-one rank from U.S. vendors offshore software development. S praise the Indian intellect, which inver the numeral zero, pointing out that it India that gave the world the deci system. Others concede that India ha cost advantage. The truth is all this much more.



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Of course, it would be simpler to contact Mr. B. S. Rao, our Regional Manager, at Tata Consultancy Services, 33, Wood Avenue South, Suite 600, Iselin, New Jersey 08830. Phone: 908-6030424. Fax: 908-6030279 / 6033876 .

TCS Tata Consultancy Services

The Offshore Connection

Clarion 2Q1E17

Faqir Chand Kohli, president of India's National Association of Software and Service Companies (NASSCOM) and widely regarded as the visionary who chalked out the country's software strategies, says, "Indian software companies have the unique distinction of providing efficient software solutions with cost and quality advantages using state-of-the-art technologies. They have the strengths to handle large projects and, above all, the ability to deliver on time."

However, the success story of the Indian software industry has not been written overnight. It has been built over years of experience in executing complex and sophisticated projects. In the process, Indian software companies have been a source of dynamism and technological innovation, providing demonstrated results for other industries in terms of export orientation, strategic alliances and foreign investment, and building India's image abroad in terms of entrepreneurial and technological capabilities. No wonder that, for the last seven years, the software industry in India has been growing at a compounded annual growth rate of 46% – three times faster than the rate at whi U.S. software industry grew durin same period.

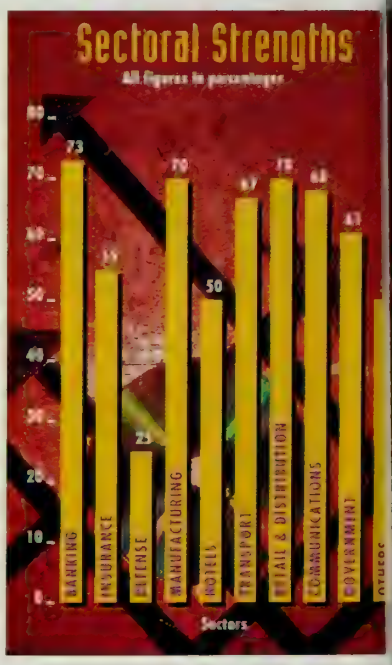
For the fiscal year 1994-95, the sof industry in India was worth Rs 26 b ($850 million). Add on in-house dev ment by corporate end users, and the value would be close to Rs 36 billion billion). Ten years ago the industry w more than Rs 300 million ($10 mil Forecasts predict even more dynami NASSCOM study projects revenues billion by the year 2000.

Success Stories

Today, the Indian software industry myriad of success stories. Tata Consul Services (TCS), with 57 offices world has been the leader for the last decades. Last year it contributed over of India's software exports. Its 4 qualified software engineers are know their proficiency in using proprieta well as open systems. Competitiv guru Michael E. Porter has identified as one of the four (the only IT) glo competitive companies in India.

Among TCS' major projects is on Sun Life Assurance of the U.K., w invited TCS to reengineer its comp system from a Cyber Mainframe to 3090 running under DB/2. Life had a number of systems that running on CDC 990 under NO operating system. The project invo migrating this system to the IBM 309 the MVS/ESA platform.

A unique strategy – of automating



A NASSCOM Survey conducted in June 1995 amongst the 100 Indian software companies revealed their strengths i providing software solutions to a wide cross section of industries. This graph shows the strengths by percentage of companies offering solutions in each of their sectors.

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conversion process and employing an assembly line approach – was adopted for this project. The latter boosted the quality of the execution and beat the schedule by three months. And since this strategy was carried out offshore, Sun Life benefited from lower cost without any compromise to the quality. Says Peter Grant, chairman of Sun Life, "we are extremely happy with the technical and project management capabilities demonstrated by TCS."

Another shining star from India is the Wipro Infotech Group. Building on its strength in both system software and applications, the company has recently designed an Asynchronous Transfer Mode (ATM) switch for UB networks, a $360 million U.S. company. Over the years, Wipro has delivered many building blocks of technology that have been incorporated by major international companies into their own product offerings. These include enhancements to several operating systems, high-performance device drivers, work-flow engines and objects.

On the application side, apart from undertaking reengineering across platforms, Wipro's advantage has been in implementing turnkey execution of client/server projects. Today, Wipro's 1,500-strong software design team is fully capable of constructing complete software products

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and is ready to work with internati
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Indian software companies for provi
competitive advantages to its client
offshore development. Using high speed
kbps and above) datacom li
programmers based in India can work
line and in real time, on computers situa
anywhere in the world. And the clier
still able to monitor the development c
minute-by-minute basis, implement qua
checks and communicate with
programmers and analysts as though t
were on the spot.

Since the U.S. and India have an aver
12-hour time zone difference, this (nat
of usage) can provide a virtual 24-h
office to a client. Lately, this concept
worked wonders for large projects as
as for those involving remote softw
maintenance using video-conferencing.

Coupled with such advantages, Ind
companies are offering not only softw
consultancy, but also system integrat
services, thus providing total solution
customers. NIIT, which has more than
years' experience, is a case in point –
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than 450 major software proje
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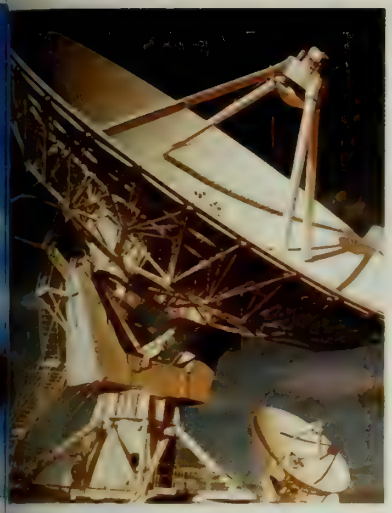

ore software development using high-speed satellite datacommunications (64 kbps and above) links: Indian software companies conferring competitive edge to their clients

ware development.

IIT's performance cannot be better cribed than in the words of AT&T: mpetent, professional and diligent in npleting their assignments." NIIT also one of the largest facilities for ructional software development, with erience in a wide range of authoring ironments and in-house CD-ROM ssing capability.

ndia's adaptability to new techniques quick response time has enabled its software companies, starting with a small number of professionals, to expand quickly to global scales. Raj Vattikutti started Complete Business Solutions (CBSI) in 1985 with only 10 employees, but since then the company has grown into an international systems integration firm with over 1,500 employees in 11 offices, and projected 1995 sales of $75 million.

CBSI's Indian office in Madras has been integral to the success and development of several projects, including a custom-designed software package for American schools and colleges. MEXX, one of Europe's leading fashionwear chains with over 2,000 stores, was so delighted with the comprehensive system to track sales, fashions and consumer tastes that CBSI (India) provided, that they handed over all back-end operations to the software company, freeing their executives to focus on the business at hand.

Another Madras-based company, Pentafour, is publicly incorporated and a

TAKING THE RISKS OUT OF OUTSOURCING

The IIS vision was to offer a demanding international clientele global quality at its most cost effective. Today we are ranked among India's top software exporters, offering our clients a unique package of advantages.

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Programming the future

Software Deals Made Here

Bombay, the financial capital of India, will host the mega-event NASSCOM'96 Conference and Exhibition scheduled from February 7-10, 1996. This international event will be attended by more than 1,000 CEOs of major software companies and end-users. The U.S. has been designated as a partner country to the event. The conference is designed to do business and make deals happen. This is an excellent opportunity to meet all Indian software companies under one roof.

U.S. ambassador to India, Frank Wisner addressing NASSCOM '95 – Software India '95 at New Delhi

An IT exhibition will be held in conjunction with the conference. This will spread over an area of 70,000 square meters and will have participation fr software, hardware and telecom companies. If you want to forge alliances w Indian software companies, or you want to market your IT products in India, do miss this golden opportunity! NASSCOM '96 is the largest IT event in Asia-Paci

Make IT to India!

business partner of IBM, providing leading-edge Client/Server and Multimedia-based solutions to the world market since 1976. The third-largest software exporter in India, with a 1994-95 turnover of $20 million, its services include turnkey solutions, offshore development, on-site consultancy, multimedia and education services. It also offers a number of interactive products for a variety of applications. Pentafour's infrastructure includes a Software Development Park featuring platforms such as IBM's ES/9000, AS/400, RS/9000, HP/9000, DEC (Alpha), Sun, Apple, SGI etc., with a 64 kbps satellite link to the U.S. Its network of offices in the U.S., Mauritius, Bangkok, the Middle East and Australia gives it access to the world's IT market.

High Quality

The *New York Times* recently reported that the Indian operations of Motorola had achieved SEI level 5 certification, a feat comparable only with the IBM project at NASA. Already, 25 Indian software companies have acquired ISO 9000 certification, while a further 67 are in the process of getting it, making the Indian software industry the world's leading holder of ISO 9000 certificates in the software sector.

In the northwest of the U.K., anyone who turns on a tap can thank a team of Indian computer programmers for helping North West Water run its operations more efficiently. North West Water chose International Inform Solutions (IIS) – the first Indian soft company to get ISO 9001 certificati 1992 – to develop a Works Manage System, involving 60 people in India the U.K. Says Director Richard Wo "The standard of work undertake India matched the quality we expect find in the U.K., and was up to standard we expected of our Compared to having the project done U.K. software house or consultancy savings range up to 60%."

IIS services its international client through its offices/subsidiaries in the and U.S., and strategic alliances in I America, South Africa and Singap while domestic software solutions training are offered at 100 locations in I It is currently on target to be a 400-str $15-million company by March 1996

Indian companies also save tim executing projects, saving more dollar clients. Hong Leong Assurance Send Berhad, a fast-growing insurance company Malaysia, was among the insurance companies in country to computerize operations. As business g and competition forced launch of new and innova insurance products, it need brand-new system.

The requirements complex, involving almost man-months of effort for modules. Other companie this segment had tried ready-m products and failed. A leading Inc

ftware company, Mastek, based in ombay, was given a seemingly impossible adline of operationalizing the major eas of the life insurance business within ne months, for which others had manded three years. Today, one year ter, all the operations of Hong Leong ssurance are under the computerized vironment. Industry circles refer to Hong ong as a case study in successful mputerization.

Mastek succeeded because of its ecialized skills in relational databases, surance, and total commitment to uality. Today, the results can be seen in e form of more business for Mastek from is segment, including repeat orders from e same client for other mission-critical plications.

The Bombay-based company Akshay ftware Technologies is recognized by its ients as a company committed to oviding "quality solutions on time and ery time." With a track record spanning ore than eight years and a pool of nearly 00 well-qualified and experienced gineers, with proven project anagement skills, Akshay is well-placed build long-term strategic alliances for ftware development. Its client list already cludes Kellogg's, Reuters, Household orp., IBM, Etisalat, Al-Futtaim, BASF, fizer and Procter & Gamble.

eengineering

eengineering services provided by Indian ftware firms – involving the conversion f legacy systems to the new client/server rchitecture – are their forte.

Satyam Computer Services of Hyderabad as a unique blend of mainframe re-ngineering/maintenance and new chnology expertise. Its recent projects ighlight the breadth and depth of its chnological skills.

The Education Network Management ystem (EMS), a 20-man-year project eveloped for the University of Utah, is rimarily used for broadcasting various ourses to schools spread over the entire tate. Perhaps the only U.S. Information Highway project to be carried out in India, involved the design and implementation f multimedia network switching and anagement systems. With Client/Server rchitecture, Satyam's role was as systems tegrator as well as developer. Satyam is urrently developing a suite of wireless obile computing products using OOPS echnology for a U.S. client.

Says Deere & Company, a long-standing lient of Satyam, "while we did expect avorable economics from Satyam, we vere also very pleased with the high uality of their work." Satyam's impressive lient list includes General Electric, Dun & Bradstreet, Deere & Co., Caterpillar, State Farm Insurance, Selective Insurance, Volkswagen, Oki Electric, Southern California Edison and Karstadt.

Syntel India, a business associate of Syntel, Inc. (Troy, Michigan, U.S.) has achieved similar success. Its 1,700 professionals provide solutions – including software development, maintenance, porting, reverse engineering, documentation and training – to a large client base, including many Forbes 500s companies. Its expertise in executing medium-to-large-sized projects on IBM Mainframes, Client/Server and Unix/4GL platforms is

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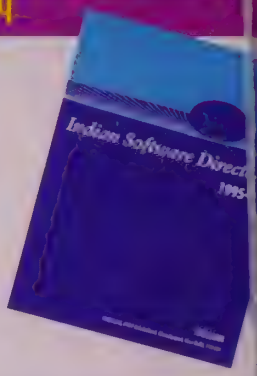

high, with on-site T&M, Offshore fixed and Offshore T&M services being provided in a cost-effective fashion and on schedule. Syntel is known for providing a 'continuous workday model' offering round-the-clock development maintenance and production support services through its Indian development center at Bombay.

Skilled Manpower Reservoir

One of India's strongest advantages is its large resource of skilled manpower. India has the second-largest English-speaking scientific manpower pool in the world, second only to the U.S., and a growing bank of 3.5 million technical personnel. There are over 1,670 educational institutions, including engineering colleges and technical institutes – which train more than 175,000 people annually – in addition to the graduates coming out of the prestigious Indian Institute of Technology (IIT). The result is a sizeable addition of software professionals to the industry annually. The quality of technical training too, is comparable to the best in the world.

The skills of this large reservoir of knowledgeable workers encompass areas such as the use of CASE Tools; Fourth Generation Languages (4GLs); the use and development of Graphical User Interfaces (GUIs); the use of Object-Oriented Programming techniques; the latest tools in Client/Server computing; and the use of formal software development methodologies.

State-of-the-Art Technologies

A recent survey conducted by NASSCOM showed that more than 45% of Indian software companies use state-of-the-art technologies in their software development process. As CIOs are aware, the need to improve productivity and quality in software design and development are the two driving forces behind the use of CASE. It involves the adoption of a disciplined engineering approach to software devel ment, as opposed to the more craft-base and at times haphazard – approach wh was the norm in the past. Today, majority of Indian software companies CASE Tools for software development.

Similarly, the rise of Object Orient Programming (OOP) demands that a n approach be taken to their developme Rather than building one giant block series of smaller blocks that can be link together can be more useful. This approa simplifies both the development a maintenance of the systems, but it deman languages suited to this building blo concept. Suitable Object Orient Programming languages, such as C++ a Smalltalk, are quickly gaining widespre acceptance amongst Indian software hous

If you are a CAD/CAM compa looking for a partner to ou source some of your develo ment work, then Bomba based Geometric Softwa Solutions Limited, (GSSL could be your best bet. Tl only commercial source co licensee of ACIS geomet kernel (Spatial Technolog U.S.), GSSL has a large po of software talent well verse in C, C++ programming an sound project managemer expertise. The firm not onl undertakes turnkey project developmer work, but also possesses sever component technologies that ca significantly improve a customer's existin product. Its parentage, (i.e. Godrej & Boyce Mfg. Co. Ltd., India's larges privately owned company, The MacNea Schwendler Corpn. U.S. and Moldflow Pt Ltd. Australia) gives it an unmatche global perspective. Says Livingston Davies president of Cadkey, a GSSL client, "Thi company has excellent people doin excellent work."

Yet another company using state-of-the art technology is Bhari Informatio Technology (BITECH). This company ha

en specializing in Client/Server, RDBMS, UI Platforms and tools since 1989. ftware Services, Turnkey Solutions and lucation are the main activities of TECH in India and abroad. With bases the U.S., Singapore, Malaysia and UAE, TECH provides "best value for money" rvice to its clients. Its global corporate rnover is worth $5 million and it nploys 350 professionals. It has set up an fshore development center in Madras d develops offshore projects for clients in alaysia, Singapore and Dubai. "BITECH s executed Integrated Business Financial stem and Club Information and anagement Systems using ORACLE 7 QL FORMS 3 and 4. The results of these fshore projects have been to our tisfaction," says Mr. Lawrence, director Com-line system, Malaysia.

overnment Incentives

he Government of India, impressed by the xcellent performance of the Indian ftware industry, has provided all the pport it needs. From providing anpower training to high-speed data mmunications and red-tape-free systems, e government has given the red carpet eatment to the industry.

Software technology parks in Noida, yderabad, Bangalore, Pune, Ahemdabad,

and Bhubaneswar that have been sponsored by the government support export-oriented software development. Companies in these parks share common computing facilities (including leased-line access to satellite links) and can import duty-free equipment. Moreover, the import duty on software stands at a low 10%. The government also provides 100% tax exemption to profits derived from software exports.

Now, Indian software houses are also offering "Virtual Software Organizations" to overseas clients. This concept works so well because Indian companies are able to start on a software project at short notice, offer an exclusive office area, hardware and software configuration and a team of dedicated programmers exclusively to the project. Moreover, by providing cost and quality advantages, the use of state-of-the-art skills, high reliability and the ability to save time on projects, the Indian software houses confer a competitive advantage on their clients.

Isn't the message quite clear then? If you want to gain or retain the competitive edge in your business, the surest way is to align yourself with Indian software houses.

The author, Dewang Mehta, is executive director of India's National Association of Software and Service Companies (NASSCOM). He is also Consulting Editor of PC Magazine India and Editor of Khaleej Times-IT, Dubai.

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CYBERTHERAPY?

BY LINDA BERLIN

CASSANDRA CHRISTENSON NEVER thought that confiding in a computer could pull her out of a depression that left her bleary-eyed with insomnia.

The 60-year-old nurse had launched Project Nightlight, a Los Angeles nonprofit to help terminally ill patients and their grieving families, but "it wasn't happening," she says. "I had all this pain of wanting to be able to do it and not being able to."

Christenson needed help figuring out how to launch the group, but every time she made a phone call looking for assistance she stumbled over her words. "I felt like a little kid who didn't know what to do," she says.

As the idea for the project foundered, Christenson's self-confidence sank to an all-time low. She felt as if she might implode, and suffered from a painfully stiff neck, insomnia and blurry vision.

One afternoon, Christenson heard about a UCLA study involving computer therapy. Psychologists from UCLA and Kaiser Permanente's Southern California Permanente Medical Group of Los Angeles wanted to know if computer-assisted therapy could treat mild depression and stress. The computer sessions would be supplemented by visits with a therapist.

Christenson became one of 45 patients to test the Therapeutic Learning Program, software developed by Dr. Roger Gould of Interactive Health Systems in Los Angeles. Gould's interactive program teaches patients how to cope with stress by changing their behavior. After sitting down at a PC, Christenson answered a series of questions designed to zero in on her problems. The questions had her identify sources of stress and the physical symptoms they caused. Each question had a choice of answers; she clicked on the one that most closely described her situation. One question, for example, asked her to identify the greatest source of stress work. Answers ranged from an annc ing manager or coworker to worryi about job stability.

During 10 sessions over a two-ar a-half-month period, Christenson pi pointed the sources of her self-dou In one session, she determined that t main stress in her life was financ hardship. By blaming herself for the hopeless feelings, Christenson lower her self-esteem. Gould's progra taught her the importance of unde standing that disappointment is cor mon, but that taking positive acti would make her feel better.

After each computer session, sl met briefly with a therapist to ta about how to support herself fina cially while establishing Project Nigh light. What amazed Christenson w how quickly the Therapeutic Learnir Program gave her a tool to become leader instead of a victim. Cybether py, Christenson says, seemed more e ficient than meeting exclusively with therapist because it centered on imme diate problems and feelings, rathe than on childhood experiences.

By the sixth week of therapy, Chri tenson had penned a grant propos and submitted it to various foundatior for seed money. She struck gold whe three donors, including IBM and th AIDS Healthcare Foundation, gave he the necessary support to launch Projec Nightlight. Now, just two years olc the organization has 100 volunteers helping dozens of terminally ill pa tients and their families.

Other patients in the study repor similarly positive results. Kaiser Per manente psychologist Dr. Sharo

Shrink Rapt: *Cassandra Christenson's (left) dream of creating a nonprofit to help terminally ill patients was stalled by crippling self-doub until she discovered a computer-based psychoanalysis program developea by Dr. Roger Gould (right). Now she has 100 volunteers helping dozens of families throughout Los Angeles.*

FOR COMPANIES LIKE BC TEL, WHERE WORKERS UNDERGO WRENCHING CUTBACKS, COMPUTER-AIDED HELP IS NOT AS STRANGE AS IT SOUNDS.

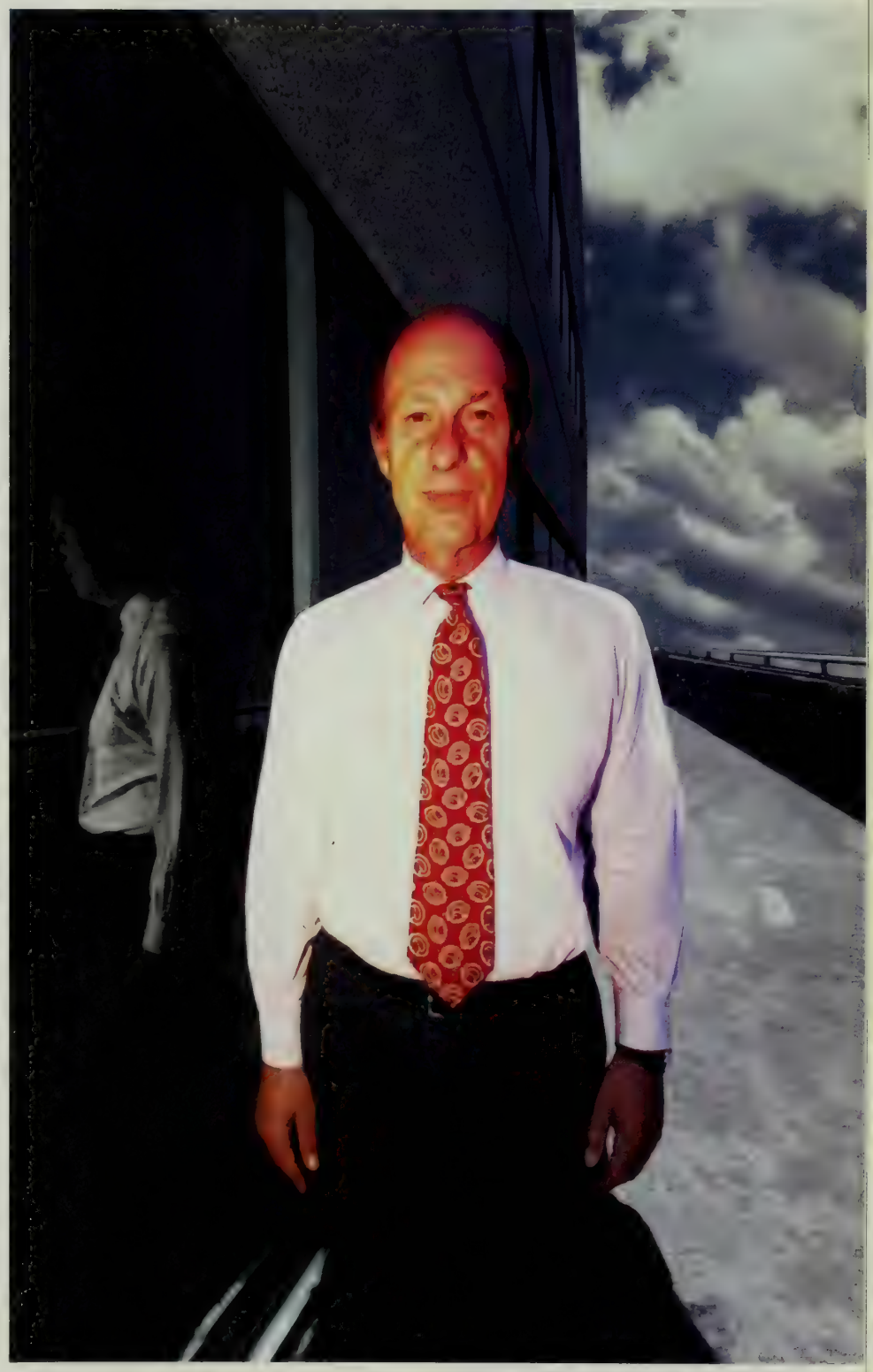
Dolezal says the responses are monumental, because most therapists believe one-on-one therapy (between therapist and patient) is the only way to help patients reduce stress and depression. "This research shows that there are other options besides purely human contact," Dolezal says.

But cybertherapy isn't for everyone. Gould says several types of people won't be helped by cybertherapy: those with severe depression or schizophrenia, patients grieving a death or people with limited reading skills. Cybertherapy is also likely to be less attractive to those who work on computers all day.

In the UCLA/Kaiser study, patients with no computer experience found the point-and-click program easy to use and less embarrassing than talking with a therapist. Sylestine Taylor-Williams, a patient of Dr. Gould's, was going through a divorce before she began the program. For her, it was easier to turn to the computer. "I held back a lot more with the therapist," says the 38-year-old Angeleno. "I didn't have to worry about the computer responding to me. I was able to answer quite honestly."

Since 1987, the Therapeutic Learning Program has taught thousands of patients, yet software sales remain sluggish. It has treated only 14,000 patients, grossing about $3 million, despite several studies that indicate short-term therapy is helpful.

Gould thinks the slow sales have to do with bad timing. Eight years ago, when the software was first released, many psychotherapists believed long-term therapy was the only way to help patients. Few psychologists embraced Gould's idea of a 10-session, 10-disk solution. The doctor then tried to sell cybertherapy to hospitals, but the market collapsed, so his efforts failed. As managed care gained acceptance in the early 1990s, private therapists became squeezed for money, so resistance to



Madeira

An Offshore Success Story: Part 4

FIRST FOR FINANCE

For banks, insurance companies and other financial enterprises, Madeira offers a base with benefits unrivalled by competing European offshore centers such as Dublin and Luxembourg.

Madeira's financial center is one of four components of the island's rapidly expanding offshore International Business Center (IBC), which also includes a free-trade industrial zone, an international services hub and an international shipping register.

More than 30 banks have set up offshore operations in the IBC already, including prestigious international institutions such as Chemical Bank, Citibank, Deutsche Bank and ABN-Amro Bank, as well as every Portuguese bank. "From Madeira we can provide all the services of an overseas branch without the heavy costs of establishing a network abroad," says Pedro Libano Monteiro of Banco Comercial Portugues, the first bank to set up an offshore branch in Madeira in 1989.

Financial operations such as banking, insurance, fund management, leasing and factoring may be run anywhere on the island, a low-cost haven of warmth and tranquillity 400 miles off the coast of Morocco. Branches of credit institutions and financial companies as well as wholly new entities can be established in the IBC.

Membership in the European Union is one of Madeira's most important assets, providing both regulatory guarantees and integration with the European market, including free circulation of goods and services and the right of establishment.

Companies setting up in Madeira, an integral part of Portugal, are governed by the same corporate law and central bank regulations as their counterparts on the mainland and consequently enjoy the same guarantees of legal credibility and economic soundness.

"Madeira has invested strongly in ensuring respectability. From the start it opted for a strategy of caution, prudence and selectivity in developing the offshore center," says Carlos Loureiro, a Lisbon-based partner with international consultants Arthur Andersen. "This policy has established a sound, dependable reputation for the IBC."

Madeira's offshore financial center enables banks and other institutions to operate with funds raised and invested outside their region of residence. This is a proven formula for success in a region such as Madeira that enjoys social and political stability and benefits from a straightforward tax system.

INVEST IN EUROPE

Madeira is ideal for financial enterprises from outside the EU that wish to set up a base within the European single market because it has been a full member of the EU since 1986. The recent decision by Banco Itaú of Brazil to establish offshore operations in Madeira illustrates the advantages to be gained.

The IBC also offers one of the most tax-advantageous environments in Europe for EU financial companies aiming to expand their operations or reduce their tax burdens. In particular, Madeira provides significant tax benefits within a sound, regulated environment supervised by the Bank of Portugal, the central bank.

"Few other offshore centers are able to offer as high a level of tax benefits as Madeira, as well as the regulatory guarantees and institutional reliability that Madeira enjoys," says the IBC's commercial manager, Roy Spode Garibaldi.

LOWER COSTS

Madeira offers both EU and non-EU companies another comparative advantage that competing European financial centers are unable to provide: low operational costs.

These include low office rents as well as the low cost of hiring qualified, English-speaking staff, readily available on the island.

In January 1994, the Bank of Portugal provided for the more efficient operation of financial institutions in the IBC by creating two types of offshore banking branches. Exterior offshore branches (SFEs) can deal only with non-residents in Portugal and enjoy full tax exemption.

International offshore branches (SFIs) can deal with residents in Portugal. They pay the same tax as an onshore branch except that they can accept deposits from individuals non-resident in Portugal without having to withhold a 20 percent tax on the interest.

David Caldeira, head of the Madeira operations of Caixa Geral de Depositos, Portugal's largest bank and the first institution to open an SFI, says that this exemption can save banks 50 to 100 basis points on the cost of financing a foreign-exchange loan to an onshore company.

"These changes have made the whole tax system operating in Madeira much clearer to investors and their advisers," says Francisco Costa, president of the Madeira Development Company (SDM), which runs the IBC.

TAX EXEMPTIONS

Offshore financial companies in the Center are exempt from corporate taxes on all revenues resulting from operations carried out by the branch if these are exclusively carried out with non-residents in Portugal or with other entities established within the IBC.

They are also exempt from withholding taxes on revenues paid by branches in relation to funding of other operations, as long as the beneficiaries (providers of the funding) are entities established within the legal framework of the IBC or non-residents in Portuguese territory.

SFIs are exempt only from withholding taxes on revenues paid in relation to the funding of other operations as long as the providers of the funds are entities established within the legal framework of the IBC or non-residents in Portuguese territory.

For fund managers, Portugal has recently written the EU's Undertaking for Collective Investments in Transferable Securities (UCITS) directive into Portuguese law. This allows funds regulated in one EU state to be marketed to other member states. Since Madeira is part of Portugal, the directive is fully applicable to companies operating in the IBC. The system for open-ended movable funds in Madeira corresponds entirely to the model described in the directive. This means that this type of fund may be marketed freely within the EU from Madeira – without restrictions and with all the tax benefits that the IBC offers.

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Madeira

computers continued, Gould says.

Now a new trend is opening up some possibilities for the software. Numerous psychiatric-care groups, using the managed-care model, are popping up all over the U.S., advocating short-term therapy for many more people.

Gould also sells a single-disk version of the program, designed for large corporations. Calling it "Best Self: Managing the Stress of Change," Gould licenses it to companies for $25 per employee. Individual modules from the disk are available on-line through Prodigy's Highlights page (under "Areas of Interest") for $10 per download. Although the software does not require the supervision of a therapist, a safeguard informs users when their problems seem to exceed the parameters of the program and suggests that they meet with a therapist.

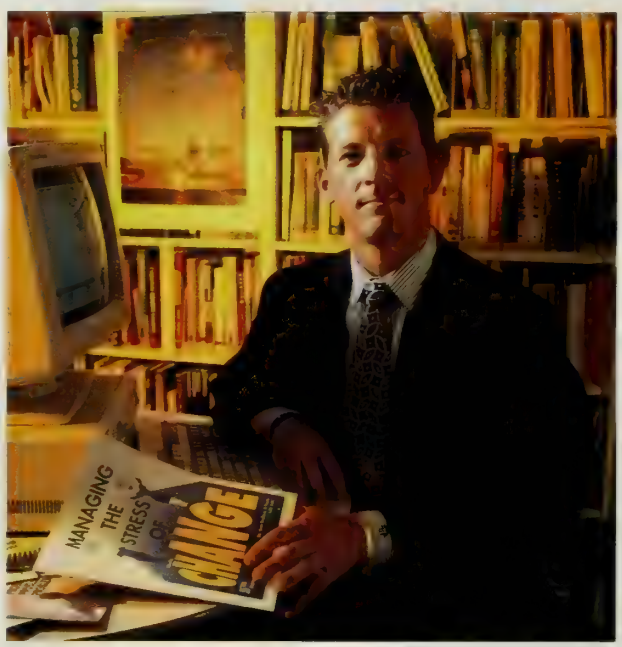
Gould adapted the original Therapeutic Learning Program with input from BC Tel psychologist Dr. Scott Wallace, who wanted a self-help disk for the company's employees. Managing stress is a high priority for BC Tel. A few years ago the $4.3 billion telecommunications company in Burnaby, British Columbia, was the sole provider of telecommunications in the province. With deregulation, there are now roughly 40 other long-distance competitors vying for the same number of customers.

Some families have worked at BC Tel for generations, but this past summer the company announced that 2,000 jobs would be lost by the fourth quarter of 1996, unnerving many long-time workers. A month after dropping that bomb, BC Tel spent $50,000 customizing the software to its needs; it will distribute copies to all of its 14,000 employees by the end of this year.

"I want [software] that is preventative," says BC Tel's Wallace, a psychologist in the company's Employee Assistance Program (EAP). "Traditionally, the model is for people to go to the therapy. Here, we have the therapy come to the people."

This privacy is essential because some BC Tel employees may avoid the EAP, afraid their troubles might be reported to managers. Any visit is confidential, Wallace says, but not all employees believe that.

He is convinced cybertherapy will be embraced by businesses because it's a simple way to "take a pulse check of their employees' well-being," he says.



Web Psych: *After BC Tel's plan to cut 2,000 jobs left employees sleepless and distraught, psychologist Dr. Scott Wallace (above) distributed a customized cybertherapy program to help alleviate stress. "Here, we have the therapy come to the people."*

It's also possible to put "Best Self" on a network and tabulate the data without breaching the privacy of employees. For instance, a company may discover which division has the most conflicts between managers and employees. The data may also reveal how certain work environments create more stress, thus pointing out an ergonomic problem that needs correction.

With all this enthusiasm for computer therapy, one wonders where the skeletons are buried. Is this a revolutionary tool for psychotherapy? Or a step closer to Big Brother?

Some psychologists warn that self-help software, administered without the guidance of a therapist, may get in the hands of someone with a severe personality disorder. Dr. Thomas Nagy, former chairman of the American Psychological Association's eth board, worries about people who narcissistic or paranoid, for exam but don't know it and get frustrat "The risk is that someone could harmed by this: Their marriage co be affected, or their work. Maybe t wind up feeling worse."

Gould acknowledges this risk. I on-line therapy has a self-h format, but it is supported chat rooms monitored therapists from Gould's Int active Health Systems. T software is "very conservativ Gould says. "We don't wa to hurt anyone."

Unlike the "Best Self" pr gram, the lengthier 10-di software is less risky since it administered by a therapi who can change the therapy a personality disorder is d tected. In this setting, Goul program has received rave r views.

Dr. Robert Cutrow, t chief of staff at the ment health division of Cig Healthplan in Manhatt Beach, Calif., is a devout fan Gould's cybertherapy becau it has helped 5,000 patients the California health-maint nance organization. "Half therapy is education," Cutrow say "This therapy allows us to educate pe ple." It should be accessible from cybe space, he says, because it offers help t people who cannot afford private thera py. A visit to a private psychologist i Los Angeles is about $100 per hou while a psychiatrist costs $150 per hou

Christenson is a good example someone who was unable to afford pri vate therapy, but who has used cy bertherapy to overcome stress. Sh now manages a huge amount of re sponsibility without the crippling self doubt she experienced two years ago On a typical day, she makes a doze calls to find a volunteer to stay with dying woman, organizes a birthda party for a terminally ill man, and doe a mailing to 450 people. "We couldn' do any of this without me," she say proudly. "But what's fascinating is tha this is due to technology." ■

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GEORGE GILDER and His Critics

Every now and then, timing is all. Take George Gilder's Aug. 28 Forbes ASAP *piece, "The Coming Software Shift." Lucky* Forbes *readers got their copies in mid-August, smack between the year's two biggest technology events—Netscape's record-hot IPO and the release of Windows 95.*

Gilder used the timing to explain why creative energy and profits in desktop software would soon migrate from Microsoft to the Internet and toward companies like Netscape. Needless to say, Gilder's point is controversial, drawing fire and praise from a host of computerdom's biggest names.

Nathan Myhrvold

Group Vice-President, Applications and Content Group, Microsoft

As usual, George Gilder's diagnosis is dead-on. The software industry functions by turning its fuel-cheap processing power, as described by Moore's Law—into value for consumers. In turn, software soon soaks up CPU power, fueling market demand, which sustains Moore's Law. The software-hardware twosome is about to become a ménage à trois, with the addition of communications. The three-way cycle will drive growth and value creation in each area at an even faster rate than we've seen so far.

I begin to differ when George frames the computer industry in lurid terms of battle. In reality, computer industry shifts are quite dull affairs. The multidecade decline of the mainframe has been a lot like watching a glacier melt. A leading company fails to invest in new technology and ultimately finds its product obsolete. New entrants might capitalize on this, but most—including Netscape and HotJava—blaze new trails instead. When an established leader does fall, the proximate cause is almost always slow suicide or atrophy through internal mismanagement; not the wounds of combat.

The Internet means opportunity for all software developers—new and old. Mosaic and its commercial descendants are currently at the center of the cyclone, but their day in the sun will pass just as surely as it did for previous Internet standards like Gopher or FTP. The instant rise of Mosaic and Netscape foreshadows what George might dub another Law of the Telecosm: In a world with easy electronic distribution, it is very hard to hang onto your position—easy come, easy go.

A particular weakness of HTML is that it is a data format no different in spirit from the protocols of 1970s-vintage mainframe terminals. Next-generation Internet software will use programmability at both ends of the pipe. Java is noteworthy and may play a role, but its hype falls into a very old trap. Every new programming language is heralded as a breakthrough. Fortran was going to computerize science and engineering, Cobol would revolutionize business, and Lisp (and later, Prolog) would deliver us to the promised land of AI. The reality is quite different—new languages offer some modest benefits, but all of the real value resides in the programs created with them.

Finally, I must comment on the obsession with finding the next Gates. Bill has been my friend and colleague for nearly 10 years, so the topic is familiar. Writing great software and founding a company is a first step, but that only matches Bill Gates circa 1976. The secret that made the Bill Gates of 1995 is to have the technical and business skills to develop new product lines repeatedly. Microsoft is unique in this accomplishment. Our competition is invariably single-product companies, or ex post facto assemblages of them. I don't doubt that the next Gates will eventually appear, and the Internet may fuel her rise, but it's one hell of a tough act to follow.

Scott McNealy

Chief Executive Officer, Sun Microsystems

I'd like to compliment George Gilder for so eloquently articulating Sun's nearly decade-old credo: "The network is the computer."

I believe in Gilder's thesis that we are, indeed, at the onset of the age of network-accessed, disposable software. Desktop operating systems, utilities and applications will soon be relegated to peripheral status. The network will be the operating system, and, as Gilder points out, this change is being brought about by the almost incomprehensible momentum of the Internet. The ultimate change agent, Gilder suggests, may in fact be Java, yet another technology that Sun has offered to the industry in an open and barrier-free way.

Java is a programming language that creates the first true network operating system for the globe, because it is safe, secure, robust, fault tolerant and, among many other attributes, platform-independent. Here's how we see it playing out. Three computer science students from Berkeley hacking code late at night will create a Java word processing program. Let's

call it "NetWord."

They put it on their Web server at http://www.netword.com. It will be free because these kids want fame first, knowing that will lead to fortune as with their hero, Marc Andreessen. It will be 100,000 lines of code versus 1.5 million for WordPerfect, because NetWord isn't bogged down with all the APIs [applications programming interfaces] and other extraneous baggage of typical applications that must interoperate with a specific operating system, or have become overfeatured.

So you're shopping for a new word processing program. You've seen the ads offering Word on sale for $249. Of course, you know that means you get the privilege of upgrading in a year for another $89. Your buddy sends an e-mail and says check out NetWord. You take a test drive. It works! Cool! You are not alone. A few million others have heard about NetWord. Now the makers have a following and in a few months they start a company and offer NetWord 2.0 for a mere $2 per copy.

You and 10 million other avid followers have no qualms about paying the nominal fee. It sure beats the competition. In fact, at that price, you'll be checking the NetWord home page monthly to download the latest copy. As for the three college kids, they are now millionaires.

Suddenly the OS that controls the CPU on your desktop is a legacy of an old paradigm, relegated to a secondary tier in the software food chain. This means that Microsoft is now a severely overpriced personal productivity tools applications vendor with an OS business that is no longer able to "captivate" the end user by being the only platform to run desired applications. Keeping APIs secret won't work anymore. Controlling the interfaces won't work anymore. The wall is down and there's no turning back.

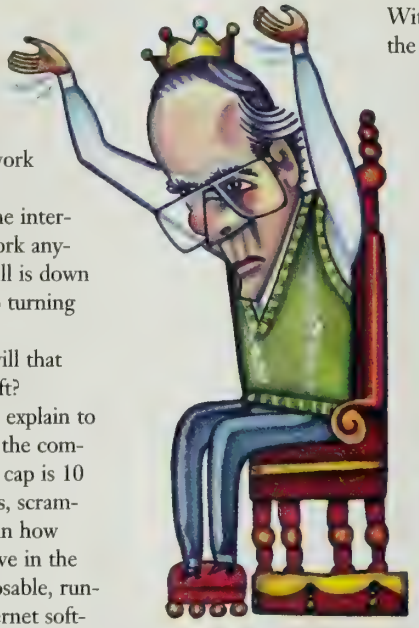
So where will that leave Microsoft? Scrambling to explain to investors why the company's market cap is 10 times revenues, scrambling to explain how they can survive in the world of disposable, run-anywhere Internet software. Of course, the marketing muscle up in the Northwest will try to figure out a way to play in this space. But playing now means playing on a level field. The rules are the same for everyone. They're spelled TCP/IP, Mosaic, WWW, HTTP, HTML and now Java—all the open protocols and languages that make up the Internet.

It's barrier-free computing. It's consumer choice. It's a free-market economy in the information age, finally. From there, just about anything is possible.

Larry Tesler

Vice President and Chief Scientist, Apple Computer

To report technology history accurately is a difficult task requiring percipience, perspiration and perspective. Gilder has done it. He has combed through the attics of computing and assembled for the family a gripping album of the events and circumstances that created the phenomenon we call the Web.



If the past is buried in clutter, however, the future is still more difficult to perceive, especially before the dazzle of Netscape and Java. In my view, the Web is a catalyst, but it is not all that matters about the Internet. The browser is to the Internet what the spreadsheet was to the desktop computer.

Mosaic is the new VisiCalc; Netscape Navigator the new Lotus 1-2-3. Microsoft would like to make Explorer the new Excel. Wall Street is as enamored with Netscape today as it was with Lotus when that company went public. Netscape is a winner, but is it *the* winner? With the aid of its ally, the Sun King, will it inherit the throne? Not necessarily.

Where is the proprietary operating system that runs not merely the equivalent of spreadsheets, but thousands of applications? Where is the API that some megalomaniac weaves into, well, a web, to attract, ensnare and ultimately consume hapless applications developers and most of the profits they worked so hard to earn?

I hope that the nameless idealists who create the Internet on a daily basis succeed in their resistance to central control more successfully than did their computer club counterparts a decade ago. If they do, there may be no single successor to Bill Gates. If they don't, then it's anyone's guess who will maneuver into that role. The drama promises to remain gripping.

Howard Anderson

Founder, Yankee Group

George, George, George—what took you so long?

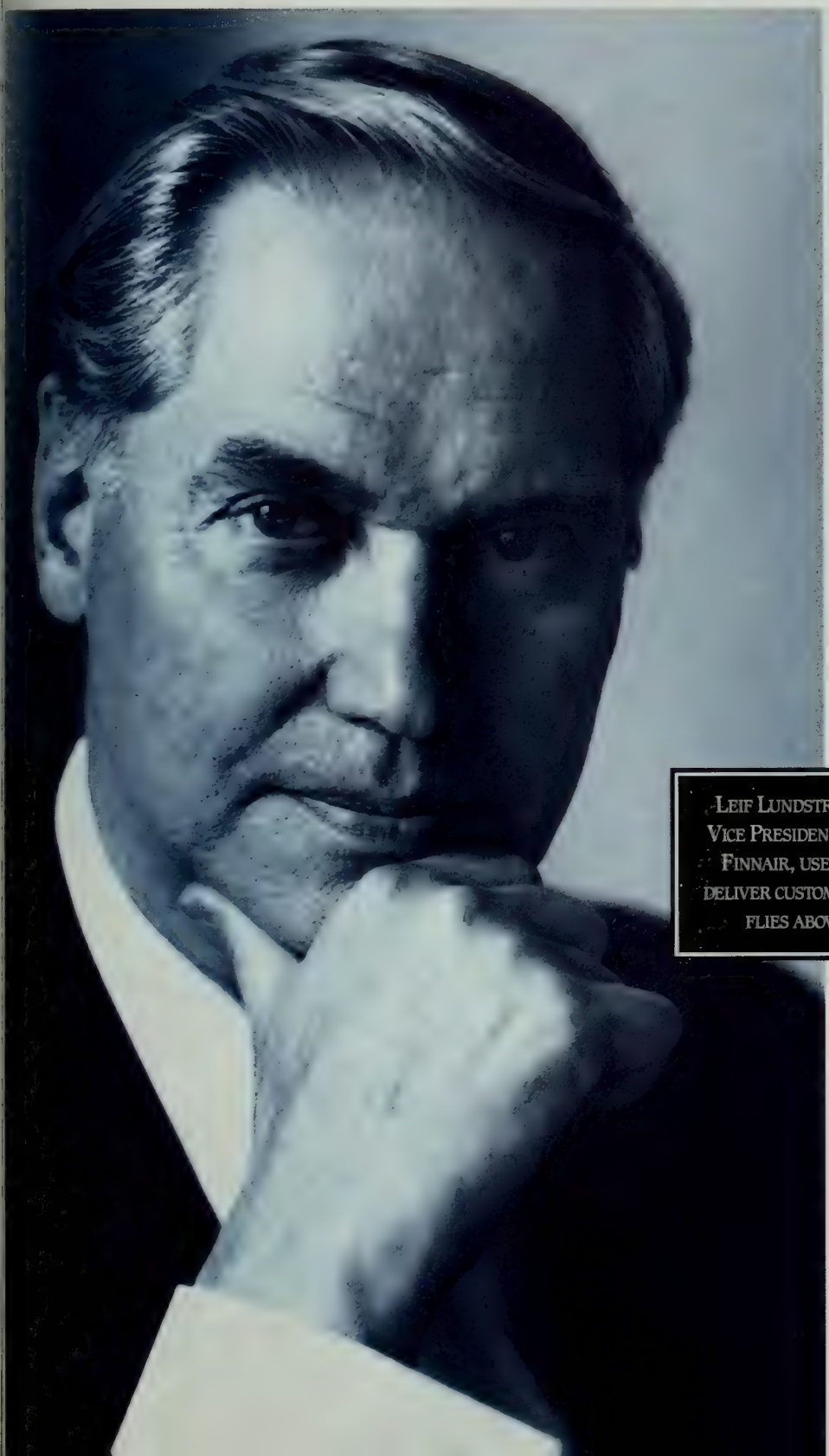
What is so surprising is that you were so surprised that the Netscape revolution may supersede the Microsoft revolution.

Think back! Fifteen years ago, the office automation hype was about word processing, but the real revolution was electronic mail. Today 36 million Americans get their mail electronically and no one really gives a damn about new word processing packages.

Your beatification of Marc Andreessen is a little premature, don't you think? There are many visionaries, but few company builders. We in the venture community intuitively know that there is little likelihood that the visionaries will turn into the operating managers new industries need. Other than Gates, who? What you have proposed (correctly) is that the peripheral becomes the major focus. Five years ago, the thought that IBM and the clone industry would become "value-added resellers" for Intel and Microsoft would have been heresy. Now you are suggesting that the Internet will become the major focus—and Intel and Microsoft will be relegated to that "value-added" focus. You are right.

Writing great software and founding a company is a first step, but that only matches Bill Gates circa 1976. The secret that made the Bill Gates of 1995 is to have the technical and business skills to develop new product lines repeatedly. — Nathan Myrhvold

Software Wings.



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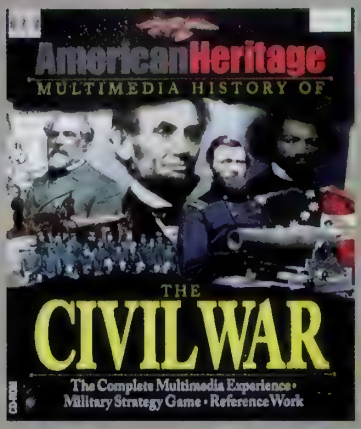

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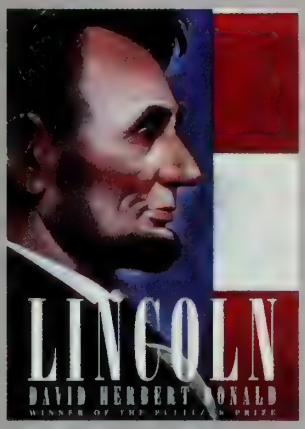

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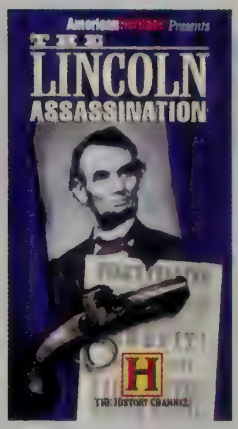

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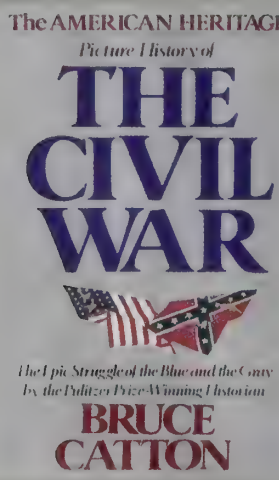

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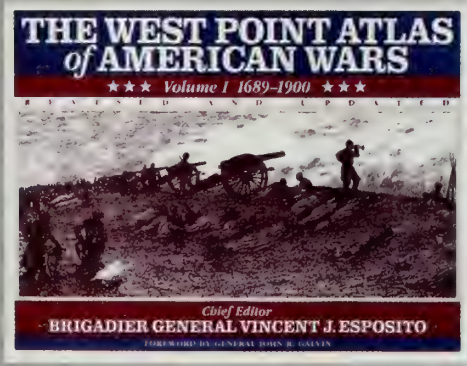

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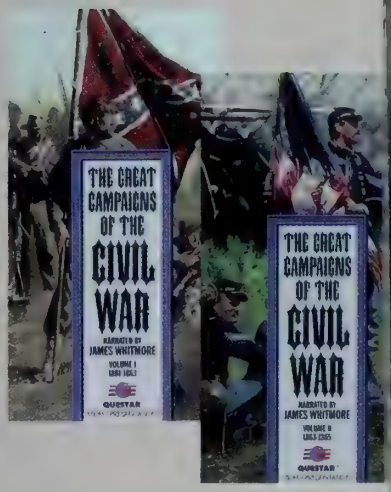

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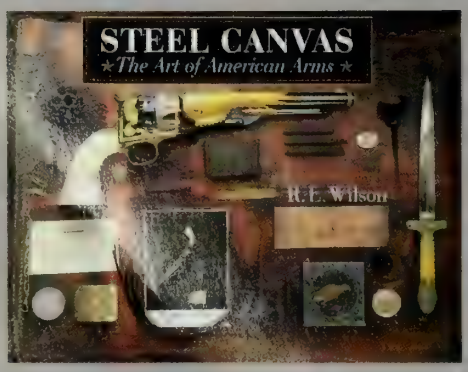

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7

The Way West: 1845–1893

written and directed by Ric Burns, The American Experience, 6 hours (4 videocassettes), $69.95. #ASH3

Between 1845 and 1893 the American West was lost and won. The vast continent Thomas Jefferson was sure would take a thousand years to settle was wound with ribbons of iron and wire and brought within the dominion of the United States. Along the way, the lives of hundreds of thousands of Native Americans were disrupted and all but destroyed. This poignant documentary chronicles the final decades of the American frontier from the time of the Gold Rush until after the battle at Wounded Knee.

8

Masterpieces of American Indian Art: From the Eugene and Clare Thaw Collection

text by Gilbert T. Vincent, photographs by John Bigelow Taylor, 96 pages, 100 photographs in full color, $19.95 soft cover. #AAB1

This handsome volume includes color photographs of superb objects from nearly all the important American tribes. The objects—from Northwest Coast masks and Southwestern pueblo pottery to Plains and Woodland Indian needlework and beadwork, headdresses, peace pipes, and shields—are highlighted by brief captions and an introduction that sets this innovative collection in a fascinating context.

9

Nonetheless, quite frankly, the Internet needs three years to be ready for prime time. Meanwhile, we will go through a sine curve of hype, backlash, then reality. Just when the naysayers sound and seem logical, the Internet will begin to fulfill its destiny, and that destiny is to become the most potent force in technology.

And George, invite your mother to dinner for me. Of your technobabble family, she seems the most interesting!

John Perry Barlow

Rancher, Writer, Web Guru, Grateful Dead Lyricist

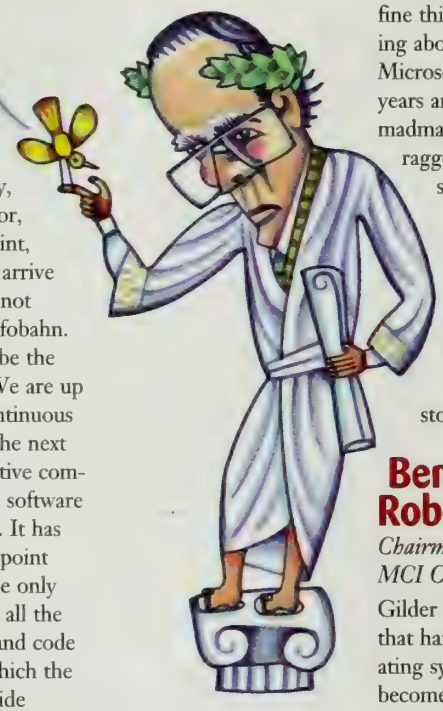
I am enormously encouraged by George Gilder's discovery of the World Wide Web. I'm tempted to stoop to catty remarks about how long it took him. Lately, he's seemed almost alone among intelligent commentators in continuing to credit the myth of the information superhighway—a belief that you can sustain only if you don't know about the Web or if your perceptions have been profoundly altered by the reality-distortion fields generated within large content conglomerates, telcos or cable companies, or the vast cluelessness that is Washington, D.C.

In fact, anyone using the phrase *information superhighway* is almost certainly in the thrall of some large and doomed institution, or is a complete nimrod who knows only what he hears on television. Which is, for obvious reasons, filled with people who believe in it. They're not going to be roadkill on it, by golly. They're going to find that on-ramp...hey, they're going to be the on-ramp!

No way, San Jose. The future of the Industrial Era media megaliths, whether Disney, Time Warner or, more to the point, Microsoft, will arrive over the Web, not the mythical infobahn. The Web will be the end of them. We are up against a discontinuous leap as we hit the next layer of interactive complexity, both in software and in thought. It has now reached a point where about the only way to develop all the scripts, scraps and code objects from which the next World Wide Operating System (WWOS) will assemble itself is to grow them in the distributed, massively parallel amalgam of minds and processes that make up the Net.

The Web is alive, and filled with life, nearly as mysterious, complex and, well, natural as a primordial swamp. Microsoft is a factory. You can't manufacture life in a factory. You have to grow it in nature.

This is not so new, really. Bell Labs' proprietary claims notwithstanding, I take the first WWOS, Unix, as proof that if enough graduate students type into enough terminals long enough, they will eventually produce an operating system. And given enough graduate students, you can be sure that somewhere among them will be a Bill Joy or a Marc Andreessen. In accordance with Joy's Law, they won't be working at Microsoft.



Furthermore, the Web and most browsers give them a way to crib from one another, lavishly and easily. All that's necessary to see the code that generated what's on your screen is to click: "View source." All that's necessary to get your page employing some of the same innovations is to copy and paste. This creates an environment of dense autocollaboration. To see how productive it's already been in less than two years of existence, get on the Web now. This will make the microcomputer revolution look like a good start.

Gilder's article is a fine thing. I've been talking about the End of Microsoft for a couple of years and have felt like a madman parading a ragged sign. When it starts coming from such impeccable seersuckers as George Gilder, it may be time to short a little of that Microsoft stock.

Bert C. Roberts, Jr.

Chairman & CEO MCI Communications

Gilder is dead-on right that hardware and operating systems will become subordinate to the network; that the network will, in effect, become everything and the only thing. And he's right, too, about the evolution and impact of the Internet and the resultant focus on content.

Gilder's allusions to Gates and Microsoft, however, yield a very real question: Can they deal with the coming transformation? Doing so will require a new vision of the future and a new understanding of merging industries, evolving ways of computing, and some hard new facts. Here's a key one: Companies that don't address and act on the need for collaborative work from a widening universe will fall hard—and fast.

Confronting any rival with the market dominance of Microsoft will be very difficult. But trying to run in place could be even harder. The challenge is not only to understand, as Gilder writes, "that your computer will never be the same"—but also that it's your company that will never be the same.

Dan Lynch

Founder, Interop Chairman, Cybercash

Gilder has got it figured out. His article is dead-on about how the Internet is the architecture of the future for information dissemination. Want proof?

Pouring huge resources into its Microsoft Network and Microsoft Navigator offerings, Microsoft admits that it does not really know the business model for how to make money in this new arena, but it is determined to get on the playing field in a big way. Meanwhile, Sun is too hooked on hardware profits to make a new fortune on this round. No doubt that Java is the right technology for making the Net be the center of the universe. Sun should simply

Gilder's allusions to Gates and Microsoft, however, yield a very real question: Can they deal with the coming transformation? Doing so will require a new understanding of merging industries, evolving ways of computing and some hard new facts. —Bert Roberts

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spin that group out as a new company unfettered by dragging along hardware.

The only fault I find with Gilder's article is his picking Marc Andreessen as the next Bill Gates. Marc only has a few percent of Netscape stock; Bill has tons of Microsoft stock. Marc will make a lot of others much richer and he surely won't suffer, but he will not become a feared/loved mogul because of Netscape. Maybe he and Bill Joy should bolt and start their own company? Marc is still younger than Gates was when Microsoft got its plum from IBM.

I asked Marc one question when I met him during his brief stint at EIT in Menlo Park: What was the central design assumption for Mosaic? He said 45 megabits per second! I asked why. He said that it makes it easy to program because you do not have to develop hairy mechanisms to mask out the slowness of the network. Then commercial reality set in when he and Jim Clark got together and they recentered their Netscape Navigator for the 14.4 kilobit world, thus giving us the MS-DOS of the Internet. It is a good start, but Marc was right about 45 megabits—only it is not just to make the programmer's life easy, it is to make the consumer's life joyful.

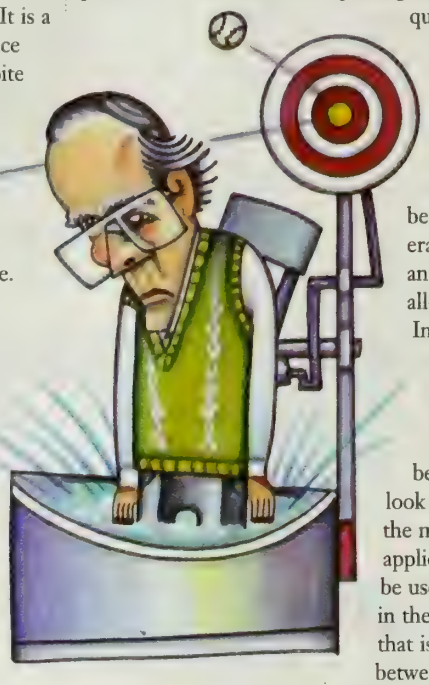
Nicholas Negroponte

Director, MIT Media Lab
Author, Being Digital

Once again, George Gilder's got it right. His guide to the past and future of the Net is on the digital dime and, as best I hear from my colleagues at the MIT Media Lab, Java is really hot. We're betting our house on it.

The Net, however, is no place for kings. It is a collective intelligence that will work in spite of government and any attempts to control it. No Carnegies, Rockefellers or Harrimans this time. The white envelope, George, is empty. When Larry Roberts invented the Internet in 1969, his decentralist approach made the idea interesting for the military, because it was fail-safe. More than 25 years later, after the Vietnam and Cold wars, the Net is also safe from dominance of any kind: Supercomputer émigrés, Unix hackers and Media Lab alumni have moved it forward (not Windows or Mac users), because they are made of the right stuff. This is serious media and computer science, not the world of Windows applications.

Here is where George is wrong. The next Bill Gates is not Marc Andreessen. Yes, Marc will do very well. However, if you were a sucker to pay $75 per share for Netscape at the opening on Aug. 9, keep it to yourself (if I hadn't been traveling between Rio and Buenos Aires that day, I would have sold short and made 25 points in a few minutes). There will be many browsers, hundreds of them. Today, I'll bet on Niki Grauso's, which will come out in 37 languages. Browsers are the surface of a much deeper phenomenon.



Sun Microsystems has it right: Java. Why? Because Java is a language and many smart people will express themselves and invent new applications in that language. Netscape is but one awning on the Virtual Boulevard of Digital Cafes. Java is the coffee.

Andy Grove

President and CEO, Intel

George, George, George—you haven't met a new technology you didn't like, and conversely you haven't met an older one that you don't think is ready to be toppled by the new.

Do you remember when you wrote that "specialized computers-to-a-chip will become the prevailing product category"? Well, it didn't happen. Not that silicon compilers were bad, not that ASICs are insignificant, but the general-purpose computer that you pooh-poohed has become the prevailing paradigm of the subsequent six years since the publication of *Microcosm.*

Now you predict that the PC will become a peripheral attached to an all-knowing, all-powerful Internet. I don't think so, George. Not that the Internet won't be important; I look at it as one of the most important applications that will be used on my PC in the future. And that is the difference between us. What matters to me is my computer. I use my computer. I am using a word processor to write this response; I use e-mail to communicate with hundreds of coworkers from my desk and from my home; I use CompuServe to get updated industry news; I use ProShare conferencing to do business with partners across the world in real time. And I use Netscape to check out a new home page that I have heard about.

A couple of years from now, I may spend more time in the Net-based applications than in some of the others, just as today I spend my time differently among my applications than I did five years ago. My computer will evolve and adapt (as PCs have been so good at doing) to the ever-changing mix of applications with which I work.

You are wrong in another area. Implicit in so much of your writing is a fantasy: the notion of high-bandwidth communications reaching every PC. Today my computer is connected with ISDN to other computers; it is also connected to LANs and to an ordinary phone line. Five years from now, my computer will still be connected to an ordinary phone line and to ISDN, but also to broadband networks via a cable modem and to an ATM network to reach other lucky computer users; and probably to do some kind of wireless connection. Ten years from now, it will be another set of communications transport media. But it will never be a single superconnection, because goodness doesn't arrive in a single step. It comes a little at a time.

To be sure, if God erased all computers and networks and forced us to start from scratch, we would certainly come a lot closer to your utopian view of broadband to the computer, with intelligence cleverly distributed between network and computers. But then, if God erased New York City, it would not be rebuilt the way it is today. In real life, both cities and computer networks evolve, increment by valuable increment.

The bottom line is this: The magic of the PC business is that there is a computer that I can look at, put my hands on and say, "This computer

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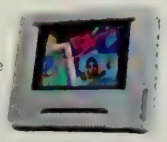

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Andy Kessler

Partner, Unterberg Harris

Once again, my colleague and trend-tender, George Gilder, has eloquently set forth the next wave of innovation. But in the process, the PC or client device will not be hollowed out. Rather than living with fast servers and PCs acting as relatively dumb terminals, which is the architecture of Mosaic and the Web and even Java so far, the endgame is instead a network where every device is a server, even your own lousy PC. This means terribly intelligent and "fat" clients, enabling rather than just hanging off the network.

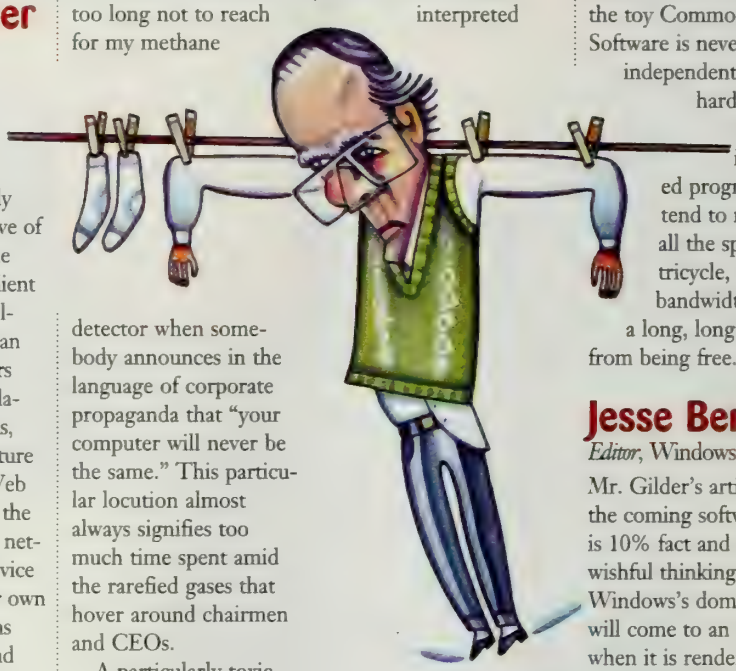
Moreover, it is much too early to be handing out crowns to the new kings of the network. George's trends are dead-on, but the kings are coronated by natural selection, not by just showing up and claiming the throne.

Stephen Manes

Columnist, New York Times, *Author of* Gates

Slow down, George! Sake's alive! Ma missed signs four and five!

What sprang to mind upon reading Gilder's latest panegyric was not the rosy technological future, but a Burma Shave ditty from my youth. I don't know Colombian beans about Java, but I've been watching this industry too long not to reach for my methane detector when somebody announces in the language of corporate propaganda that "your computer will never be the same." This particular locution almost always signifies too much time spent amid the rarefied gases that hover around chairmen and CEOs.



A particularly toxic dose is to be suspected when the proclaimed agent of change is an interpreted language. Interpreted languages have a long line of champions, not the least of whom is that great Basic patron, William Henry Gates III (who seems less "Archimedean" than Charles Foster Kanean). But their magic has its limits, as Gates himself found out when Microsoft developed its Multiplan spreadsheet on the interpreted runs-on-everything (but kinda slow) model and watched the compiled runs-on-DOS-only (but really fast) Lotus 1-2-3 force some massive recalculations at Microsoft headquarters. Wasn't it only a few months ago that the press went gaga over General Magic's interpreted Telescript, which now reportedly has, uh, some problems?

The runs-everywhere promise of interpreted languages generally manages to get broken when it hits some Least Common Denominator —say, another LCD, the liquid crystal display. If you want to run Gilder's helicopter model on your crappy little Personal Digital Assistant, you may not have to worry about having AutoCAD on your hard drive, but you probably will have to worry about having a hard drive, not to mention a screen with enough detail and contrast to make the thing look vaguely like the original. The IBM PC version of Multiplan was no prize, but it looked and felt great compared with the one that ran on the toy Commodore 64. Software is never truly independent of the hardware it runs on, interpreted programs tend to run with all the speed of a tricycle, and bandwidth is still a long, long way from being free.

Jesse Berst

Editor, Windows Watcher

Mr. Gilder's article on the coming software shift is 10% fact and 90% wishful thinking. Fact: Windows's dominance will come to an end when it is rendered irrelevant by a new platform. Wishful thinking: hoping the new platform will be owned by somebody other than Microsoft.

Gilder's fantasy of a Microsoft-free computer industry might come to pass if Bill Gates spent his time in his vault counting his money. He doesn't. He obsessively watches the horizon for threats to his hegemony. When he spots a danger, he works feverishly to use his current monopolies to leverage his way into the new arena. He spotted the Internet danger about two years ago and has already spent more than $100 million to make sure that Microsoft isn't left out.

Yes, George, we will all eventually emigrate from the Windows desktop empire. But when we get to the new promised land, we're likely to find that Bill Gates has already acquired the prime real estate.

Scott Cook

Chairman, Intuit

Gilder chronicles invention like no other. He finds the history in the most recent events. He finds the significance in invention before that significance is real or realized. But Paul Saffo of the Institute for the Future tells how the innovations that reshape our lives follow their enabling inventions by years or decades.

Gutenberg invented movable type. It took another 40 years for an entrepreneur named Aldus to assemble what created book publishing as we know it. Marconi invented radio exactly 100 years ago. It took another 25 years for entrepreneurs in Pittsburgh and New York to create broadcasting. It was through broadcasting that radio reshaped our lives.

None of us expect it will take 25 years for this chapter of the Internet story. But I hope Gilder will tackle the next question: How will these inventions change our lives?

To be sure, if God erased all computers and networks and forced us to start from scratch, we would certainly come a lot closer to your utopian view of broadband to the computer. But then, if God erased New York City, it would not be rebuilt the way it is today. —Andy Grove

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Gordon Bell

Research Fellow, Microsoft, Inventor of Digital VAX computer

Telecosm, like microcosm, is another interesting Gilder story. Like transistors that follow Moore's Law, bandwidth increases at 60% per year. The Gilder Fallacy is that transistors and bandwidth will also be cheap. This may be true in the very long run, and I hope to live long enough to see it. Meanwhile, the memory cartel has kept prices constant at $50 per megabyte and the telephone cartel has metered out bits in 64 kilobit POTS [plain old telephone service] = chunks for decades. For example, full ISDN lines (two voice lines) cost at least twice POTS. ISDN is also very inelegant since it makes poor use of the precious last mile, and is not adequate or scalable. Only modems, created by a new datacom industry, have gotten faster.

My version of the Internet story is at http://www.uvc.com. It is called "Internet 1.0 (Arpanet), 2.0 (today), and 3.0 (what we need)," subtitled: "It's Bandwidth and Symmetry, Stupid." In 1987, I chaired the cross-agency federal task force that proposed NREN [National Research and Education Network], aka NII [National Information Infrastructure], aka GII [Global Information Infrastructure]. Our recommendation was "that an advanced network be designed and developed to interconnect academic, industrial and government research facilities in the U.S.," with the plan for a factor of a ten thousandfold increase in bandwidth by 2002.

Things have gone according to our "vision" to maintain constant doubling for the last 25 years. Thank goodness Berners-Lee created the http://www network, aka the Web, so that Andreessen could build Mosaic and its viewers; that's the serendipity part. Public funding of research (this time at Illinois's National Center for Supercomputing Applications) "saved" us again.

Intermixed in Gilder's piece is another story about a new Sun programming language, Java, which when combined with the Web, will render Microsoft ineffective. If that's the case, then Sun needn't support the anti-Microsoft legal consortium and should concentrate on toppling it with their products. However, as a newly hired Microsoft researcher, anxious to work his way down the corporate hierarchy to programmer, I hope that he's wrong about our undoing.

Microsoft is its own greatest enemy if it fails to make every product embrace the Internet. In an organization that has to keep up with chaotic hardware platform evolution, having an external standard and threat is the best thing that could happen. Of the 50-plus million Word and PowerPoint users, however, perhaps 10,000 will see Java as an Internet development tool. More likely it's a tool for developing Internet tools. Word already produces HTML pages and PowerPoint should have the goal of being the most used Internet content editor. I'll bet that Windows NT (created by Dave Cutler, who also happens to be the world's greatest programmer) will become the "standard" server platform, just as the Wintel platform, like the Gilders use, runs nearly all the viewers. As for staying in the center of the sphere—Gilder's right: Andreessen's there, but I wouldn't count Gates out...yet.

Charles Mann

Contributing Editor Atlantic Monthly

The vision Mr. Gilder proposes is wonderfully attractive—who could not like the idea of a future in which nobody has to struggle with the maddening limitations and incompatibilities of the PC? But the idea of plugging everyone into the Net for their work and play poses problems of its own, pride of place perhaps going to security. The number of Internet crackers and wannabe crackers is rising; worse, the very speed and ubiquity of the Net means that each new break-in technique becomes instantly available to all of them, as the spread of Root Kit and its analogues attests. Putting the whole world online will increase the opportunity for mischief enormously.

At present, we have two basic means for fending off these guys—firewalls and encryption. Put crudely, firewalls are small computers that stand between you and the Net, scanning for unwanted incoming bits. (CheckPoint Software Technologies, in Israel, makes one of the more interesting examples.) In one way or another, firewalls intercept and read parts of every Internet packet that comes your way. If everyone's software is based somewhere "out there" on the web, the computing power and bandwidth required to filter every screen dump and rewrite through the firewall is interesting to contemplate. A worse problem comes when the information is encrypted—how is the firewall to read it without decoding it? And if it does decode it, aren't you decoding the information outside the intended recipient network? It's a problem.

For this reason, most Net aficionados argue that some form of public-key encryption is the answer. Leaving aside the extraordinary reserves of computing power that will be required to encrypt every bit of info going in and out of every system in the world—and the even more vexing question of who will pay for it, a subject on which I am not nearly as sanguine as Mr. Gilder—one has to worry about the possibilities of breakthroughs such as those reported recently in *Science*, where researchers took advantage of the vagaries of quantum mechanics to reduce the time required to factor large numbers enormously. Because encryption in its present form depends on the huge amount of time it now takes to factor such numbers, these advances have dismaying implications.

We could face a future

Marc Andreessen is not Bill Gates. It's probably possible to be great without being Bill. But it takes a lot of work. Gates is the chairman of Microsoft, the CEO, its founder and the man who made every key hiring decision. Andreessen is a hired gun. —Larry Ellison

ARE YOU open TO SOME REALLY NARROW-MINDED THINKING?

Go ahead and be intolerant. The next time someone brings you the same old mass media solution to your niche marketing problem, close your mind. Shut the door. There are just too many good new alternatives available, and if the people you're relying on for advice don't get it... well, they just don't get it.

You see, good creative and strategic thinking isn't coming from the same places it used to. It's not coming from those who have served the mass-producing captains of the industrial revolution, but from a new breed born of the entrepreneurial explosion of the 1980s. They're technology zealots who instead of beating a path to Madison Avenue are racing their way to The Information Highway.

Big bureaucratic ad agencies are organized around messages to the masses. They're not flexible enough to deliver customized communications to niches. And even the hot creative shops who in the past have given us some entertaining mass media moments won't rule in the niches-within-niches world. As markets and interests become more highly specialized, the customer on the other end demands both style and substance.

When the niches narrow, the content must run deep. Mass media appeals to a low common denominator. That's why it's characterized by the trick, the tease and the fashion statement. But when the message requires depth, or the issue of intangible value an explanation, it requires a different set of creative skills. Skills of increasing importance to you as media becomes interactive and customers choose to consider your messages on-demand.

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in which advances in encryption and decoding race each other, Red Queen-style —hardly a situation favoring the confident use of a global network. Until these problems are resolved, they will be a big damper on the kind of bustling, productive, interconnected future that Mr. Gilder and I both hope is just around the corner.

Bob Metcalfe

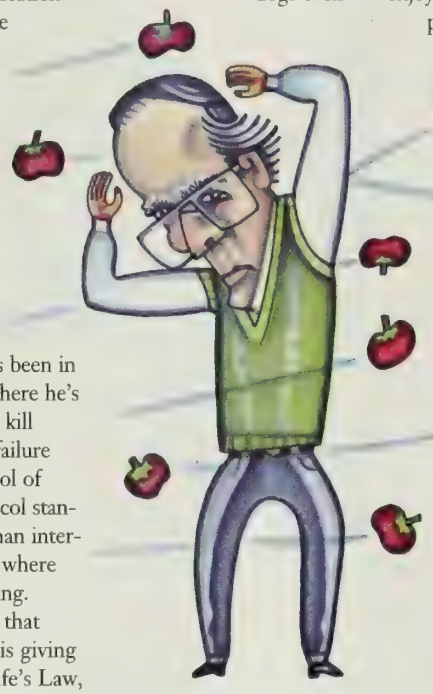
Ethernet Inventor and 3Com Founder, InfoWorld *Columnist*

To refine Gilder's model for how Gates gets dethroned, I'll briefly explain how Gates made his billions. Gates came of age just as Grosch's Law about the scale economies of bigger computers was giving way to Moore's Law about the volume economies of smaller computers. Gates saw early and clearly the profit potential in controlling standards, like the horizontal protocol standards for communicating back and forth among computers, and like the vertical interface standards for communicating up and down between applications software and underlying computer operating systems software.

I went with horizontal protocol standards, namely Ethernet, which I advanced by giving it away to all other comers. Gates went with vertical interface standards, namely IBM's PC-DOS, which he advanced more shrewdly by giving it away to IBM but selling it to all comers. To build the value of PC-DOS, Gates gathered a huge flock of application software developers and got them committed to his interface standards. Then by controlling changes to DOS's interfaces, upgrading them step-by-step all the way up to Windows 95, Gates was also able to sell them over and over again in upgraded forms. With that money, he could exploit inside knowledge of his own interface changes to pick off one after another of the larger application developers, like those in word processing, spreadsheets, presentations and, now, electronic mail and databases. His only major failure to date has been in networking, where he's failed so far to kill Novell. That failure involved control of Novell's protocol standards rather than interface standards where Microsoft is king.

Gilder says that Moore's Law is giving way to Metcalfe's Law, which projects the runaway value of numerous internetworked computers. According to Gilder's point of view, this exponential effect shifts importance from the vertical programming interface standards upon which the Redmond Rockefeller's fortune is built to horizontal communication protocol standards with which the likes of Marc Andreessen might be expected to dethrone Gates, perhaps becoming the Microsoft of the Internet.

But Gates, of course, aims to be the Microsoft of the Internet. And he need only broaden his tried-and-true interface strategy to include the protocols from the World Wide Web, now threatening his standards dominance. Gates has the advantage of his current Windows monopoly, which he is now trying to leverage into control of the Web—let's hope our antitrust sheepdogs eventually arrive on the scene. Andreessen and company have the disadvantage of coming from the virtuously open but fractious Unix world. Unless they can keep their Web standards act together, they will lose the Web to the Windows Microsoft Network in the same way they lost Unix to DOS.



MSN and Netscape will likely shape up to be the major opponents in the coming Web Wars. MSN is making its play to replace Berners-Lee's Web standards with its own under Blackbird. Microsoft is now giving away MSN browsers like Netscape and can be expected at some point to sell MSN servers and tools directly opposite Netscape's servers. Netscape, on the other hand, with its very busy Web pages is looking more and more like an on-line service in competition with MSN, advertising and all. I must say that this battle is one that my *InfoWorld* readers will enjoy, as the fierce competition will drive the Web toward its full potential.

Gates doesn't need it, and certainly doesn't expect it from me, but I do have to defend him. Andreessen and company have not yet made their billions, and they now look innocently charming, gregarious and eager, attractive compared with the shrewd and intense Mr. Gates. But, I've seen close up what even $1 million can do to people, and frankly Gates handles his billions about as well as it is reasonable to expect.

Stephen S. Roach

Chief Economist, Morgan Stanley & Co.

Gilder's gushing hype has finally come full circle. He has come to the key recognition that there's more to the information age than the alluring power of Moore's Law. This time-worn mantra of a vendor-driven rhetoric extols the miracles of performance but begs the basic question of payback—the productivity paradox whereby startling advances in computational speed fail to deliver the value-added solutions that truly matter for society as a whole. But now Gilder heralds a new "killer app" in user-friendly browsers and new "minimalist" programming languages such as Java.

But don't count on it—at least not yet. In the fast-track 1990s, technology must still come to grips with a profound upheaval in American lifestyles. For the first time ever, white-collar workers—fully two-thirds of the U.S. work force—are being asked to up the ante of their own productivity contributions through longer and harder work, squeezing family and leisure time as never before in the last 50 years.

Surfing the Net in a quest for the "best" application—and learning how to use each of the new tools—takes considerable time. And that's the rub: Time-intensive surfing is in direct conflict with the harsh realities of a time-constrained era.

In the end, it all boils down to return. The average U.S. worker who has toiled under the burden of stagnant real wages for more than a decade will insist on measurable improvements in personal productivity before squandering ever-greater amounts of leisure and family time on an open-ended journey on the telecosm. However alluring the latest breakthroughs in elec-

tronic shopping, banking, and video selection may seem to be, my guess is that they don't meet the hurdle rate for the average American.

That's the crux of the dilemma that Gilder still doesn't get: The promises of the telecosm will ring hollow until new means of income generation and wealth creation for society as a whole are created. At best, a flexible software paradigm is merely another means to automate existing tasks. The big steps come with applications that truly change the functions of work and leisure. And they have yet to be taken.

Larry Ellison

Founder, CEO and Chairman, Oracle Systems Corp.

I believe George has it half right.

The center of gravity is indeed shifting away from the personal computer and toward the network—specifically toward the Internet's World Wide Web.

Despite the Clinton administration's most determined regulatory efforts, networks are getting faster and cheaper. Various telecommunication bills pending in Congress will decrease regulation, increase competition and accelerate this trend. Cost and ease-of-use improvements, plus video capability, will make the World Wide Web as popular as the familiar TV and telephone networks for communication and commerce, as well as for information and entertainment. Bandwidth will expand exponentially and so will the quality and quantity of information on the Net. The information age will move from dawn to full daylight. And our world will be changed.

But probably not by Netscape: Wall Street and Mr. Gilder are greatly charmed by the most exciting startup since 3DO, but it is important to remember that Netscape's improbable $2.4 billion valuation comes without earnings or any quick hope thereof. In the absence of any commercial competition, Netscape was able to achieve a 70% "market share" by distributing its browser for free via the Internet. When a clearly superior browser becomes available, people will replace their Netscape browser just the way they got it—with the touch of a button. The most important new feature announced for a future version of the Netscape browser is Sun's hot new Java programming language, which Sun is trying to make an open standard. We're all for it, but you don't get to be the next Microsoft by distributing Sun software and helping create open standards. You get to be Microsoft by creating your own proprietary standard, while convincing everybody it's actually an open standard. Fortunately, this trick usually works only once, so there will be no new Microsoft. One is quite enough, thank you.

Marc Andreessen is not Bill Gates. It's probably possible to be great without being Bill. But it takes a lot of work. Gates is the chairman of Microsoft, the CEO, its founder and the man who makes every key hiring decision. Andreessen is neither chairman (that's Jim Clark), nor CEO (that's Jim Barksdale), but a hired gun. Hired, in fact, by Jim Clark. History generally shows us only one Rockefeller per industry—the first one tends to get rid of future rivals. If a cosmic shift causes King Bill to lose his throne, it will not be filled by Andreessen or anybody else. There is no next Bill Gates—in software—at least.

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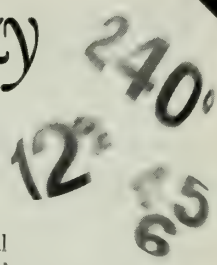

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Steve Case

President and CEO
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I have a simple request: Let's not forget about the customer.

A "reality gap" exists between technologists (breathlessly enchanted with the latest and greatest revolutionary developments) and the mass consumer market (inevitably preferring evolutionary incrementalism). Invariably, developers have powerful workstations, superfast networks, and a certain affinity for complexity. Meanwhile, tens of millions of people out there struggle with memory-deprived 386s, painfully slow modems (in the real world 14.4 kbps is considered pretty fast, and 28.8 kbps is the promised land), and a tremendous thirst for simplicity.

Yes, telephone companies are getting more aggressive with ISDN pricing and marketing, and developers are reaching for plug-and-play solutions, but it's still too hard and still too expensive. Yes, cable companies are testing cable modems, but the tests are going slowly and broad deployment is likely to take many years.

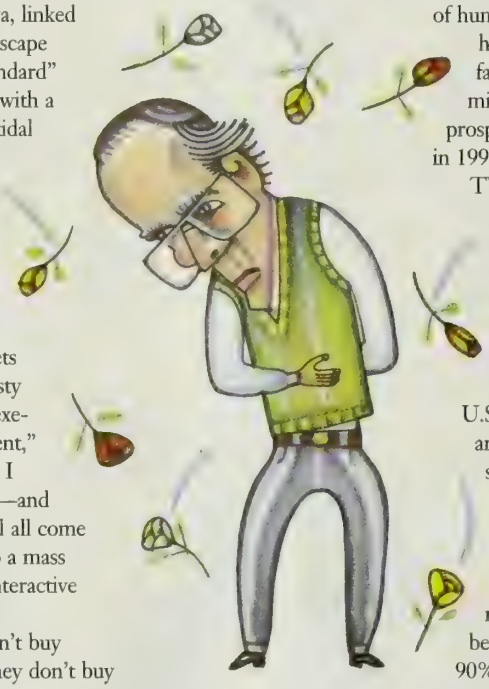
Switching gears to software, Gilder embraces the commonly held notion that Netscape's browser is the standard, commanding a dominant ("70%") market share. But all of the commercial on-line services now provide Web access, and they have overnight become the dominant force in the consumer Web. Neither of the two largest existing players (AOL and CompuServe), nor the most significant entrant (Microsoft), are Netscape licensees, so Netscape's market share is therefore zero in this emerging segment. The already fragmented Web market is likely to get even more fragmented, creating havoc for publishers and confusion for consumers. Ultimately, the services with the largest audiences will drive standardization.

So when I read about the "dynamically portable" Java, linked with the Netscape browser "standard" and coupled with a "bandwidth tidal wave," leading a "telecosmic advance" towards a world chock-full of custom applets filled with tasty morsels of "executable content," Exciting, but I wonder how—and when—it will all come together into a mass market for interactive services.

People don't buy browsers. They don't buy objects. They don't buy bandwidth. They buy services. They want access to a broad range of content, packaged and presented in a friendly, useful, engaging manner, priced simply and affordably, with a strong underlying sense of community. At AOL, our aim is to reach tens of millions of people and help shape this new medium. We will continue to leverage technology to do — but we'll also remind ourselves that although technologists believe the journey is the reward, for everybody else, the destination is what really counts.

George Gilder Replies:

When the responses to an article exceed the original in pith and pertinence, the writer may be tempted merely to step back, point and applaud. However, at the risk of revealing *Forbes ASAP* trade secrets, I will correct the impression that I am some kind of sappy seersucker who gets his information from doting CEOs, perhaps in the telephone and TV industries. In fact, much to the irritation of the PR firms surrounding large companies, I invariably rely mostly on engineers, programmers and other technologists and consult the imperial suits chiefly en route to the illuminati in the nether reaches of their companies.



As Stephen Roach of Morgan Stanley has noticed with some impatience, I also give short shrift to the kind of macrovisions, strategies and statistics that float up to the top of economic models. These data are too light on the technical details in which reside the angels and devils of industrial destiny. For example, Roach remains perplexed by the "productivity paradox," the lack of evident payoff of information tools, the failures of the industry to surmount the hurdle rates of humbler households, all in the face of some 60 million worldwide prospective PC sales in 1995, exceeding TV unit sales in the U.S., with e-mail passing the U.S. Postal Service in message units.

Meanwhile, U.S. companies are capturing some 50 % of all the profits of the industrial world and maintaining market share between 60% and 90% in most leading-edge products, while deploying three times as much computer power per capita as either Europe or Japan.

Roach trusts government productivity data and wage levels more than the demonstrable achievements of U.S. companies and calls the conflict a portentous paradox. I say that both the wage and productivity data are largely bunkum, based on silly deflators that mostly fail to capture the plummeting prices in the industry, while U.S. leadership in PCs, peripherals, networks and software is the real payoff. PC companies alone have generated some $250 billion in market caps over the last decade; Internet companies will generate trillions. These bonanzas answer all the questions on hurdle rates and social yields (though if you want to see some real high-speed hurdling in homes, wait until cable modems proliferate next year). The payoff of information technology is the global leadership of the U.S. economy despite appalling policy mistakes from the Bush and Clinton administrations.

Like me, Andy Grove likes to wrangle and I hesitate to deny him his pugilistic jollies. Among the new technologies I did not like from the outset are HDTV, interactive TV, TV shopping, game machines, Japanese fifth-generation computers, NMOS, videophones, flash memories, serial Crays, Thinking Machines, 3DO and pencentric PDAs. But perhaps we can make a deal. I will concede to him and Andy Kessler that the use of the term "hollowing out of the computer," borrowed from the estimable Eric Schmidt of Sun, is hyperbolic, even misleading in an absolute sense. But they should acknowledge that in relative terms, the balance between desktop and network is shifting sharply. After all, in five out of the six PC uses Grove cites, most of the value originates on the network. Nonetheless, I do cherish the PC; indeed, using the Internet, I believe it will displace both the telephone and television over the next five years or so.

Grove also might acknowledge that *Microcosm* in 1989 was right on target not only in identifying Intel as the creative driving force of the most important company in the world economy, with nothing to fear from the Japanese, but also in prophesying a huge rise (actually some twentyfold) in the number of new chip designs (now totaling more than half a million) stemming from the revolution in chip design tools. Microprocessors and other general-purpose chips for all their marvelous profitability, still account for less than half the market.

Meanwhile, John Perry Barlow and Howard Anderson—as brilliant and knowledgeable as they are—should not disclose so blatantly in these pages that they have little idea of what I have been writing about for the last decade. For example, they might have taken some note of my constant use of the phrase "worldwide web" long before the World Wide Web became the industry mantra, as well as of my long celebration of networks, internetworks, Arpanet and Darpanet, for the past six years.

However, I think I am beginning to understand some of their qualms about my position. Barlow's hostility to the notion of an information superhighway comes not merely from the literary scruples that we share. He seems to cherish a view of the Net as immaculately conceived, spontaneously reared and capable of broadband embodiment, bringing down telephony and television, without giant new investments. I, on the other hand, believe that a broadband Internet capable of these feats of creative destruction will require heroic efforts and outlays from scores of companies, including cable and telephone firms. Merely to sneer at them is not a satisfactory response to the challenges of the Internet.

MCI, for example, is a crucial provider of backbone services for the Internet and the spearhead of new broadband systems. Thus I share Barlow's misgivings about MCI's $2 billion investment in News Corp., and I regularly warned the RBOCs (Regional Bell Operating Companies) against following the Japanese in "content" binges in Hollywood, gulled by Michael Ovitz, among others. But I do not believe that we can have a broadband Web without the full participation of these crucial infrastructure companies.

Most of my critics demur at my hyperbolic projections for Marc Andreessen and for Java. All I can say is that they are probably right in many respects. There will, of course, be only one Bill Gates. But they tend to underestimate the business savvy of Andreessen, whom I use to personify a watershed in the industry. And they fail to grasp the full ingenuity of Java. Java combines its interpreter with security devices, dynamic compilation accelerators, and familiarity for the C-programming establishment in ways that render it radically different from other new programming languages that failed to sustain their hype. Moreover, even if Java programs are somewhat slower than compiled programs line for line, these applets will be far more elegant and efficient than the code-bloated applications now dominant on the desktop.

As for the trenchant Steve Case, I believe that AOL, MSN and other proprietary systems will prosper for the next couple of years, giving their sponsors an Indian summer of success and perhaps diverting them from the ultimately dominant domains of the Internet. But then the proprietary regimes will massively give way to the open systems of the Web. ■

Visit the Gilder Telecosm Archives at **http://www.seas.upenn.edu/~gaj1/gg index.html** *or at the Discovery Institute at* **http://www.discovery.org**

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HACKERS FROM HELL

The software boom won't last. When today's young programmers start getting pink slips, God help us. By Owen Edwards

ONCE IN A WHILE, I TAKE advantage of Larry Ellison's largesse (unbeknownst to him) and eat lunch at one of Oracle's low-cost employee restaurants at the company's headquarters in Redwood City, Calif. Things are good at Oracle. The sweet smell of success mingles in the air with the aroma of individual vegetarian pizzas and grilled ahi tuna. On the Nasdaq exchange, the stock (at this writing) floats plumply at 42 1/2. Construction crews seem permanently at work replicating the mirror-glass cylinder-and-cube buildings that give the network computing giant its fittingly Oz-like look.

As the wait increases for the workout machines at the employee health club, the new programmers' fresh young faces glow with the knowledge they're in one of the really hot places doing one of the really cool things in the best of times. Anyone with a remembrance of things recently past will recognize the look. It was worn by programmers at Apple back when the sky was no limit for the Mac pack.

The point of that comparison is simple: In business, nothing lasts forever, and in the technology business a happy heyday lasts about as long as a fruit fly's adolescence. Once-bustling corporate campuses can end up looking like ghost towns after only a couple of strategic mistakes by unwise CEOs. But I don't want to predict a downturn for Oracle. I like Oracle's subsidized shell steaks and wouldn't want Larry to feel the need to cut down on perks.

But even if we imagine prosperous years ahead for the company, the future is not going to be especially sunny for all those unsuspecting kids currently writing code. Why? Because when it comes to employment patterns the software industry won't be any different from the automotive industry or the bathmat industry: As companies find a way to turn out the same goods for less money, they're going to make changes. And what's the most costly part of manufacturing? People. Dump people and the money really rolls in.

But wait, say you (and Newt and the Tofflers). Those steelworkers and bathmat makers, they were second-wave types, doomed by the same kind of revolutionary change that put hunter-gatherers into the dustbin of history. Programmers are in the curl of the third wave, at the vital heart of that revolution. How could *their* jobs be in danger?

Well, think about it. Sooner or later, we always get machines to do the work of humans. No bad days, no flu epidemics, no PMS, no workers' comp, no pension plans. That's pretty much the point of machines. So if Detr taught robots to weld, doesn't it stand to reason that Ora et al. will create software that knows how to create softwar Years ago, at Thinking Machines, Danny Hillis designe program that used virtual evolution to mutate other pr grams until the fittest survived. These round-the-clo untiring roboprogrammers were the beginning of the e for humans who think a 16-hour day is heroic.

In these code-intensive days, one telephone swit requires more lines of code than there are lines of type the *Encyclopaedia Britannica*, so a vast programming Nibelu gen is pressed into service. But when large programs a built from already-tested smaller programs, like pref houses, can the pink slips be far behind?

Even if neither of these scenarios plays out, programmi can always be shipped overseas, where pay and benefits a lower. If Calvin Klein can sew shirts in Manila, Bill Gat can write code in Calcutta. Sooner or later, those hap campers at Oracle are going to be packing up their Ch pets and potted cacti and heading for the door.

And then, dear reader, my advice is to pull off the info mation highway immediately, and pray that fate doesn't ha you in the cross hairs. Because an angry, out-of-work pr grammer will be a hell of a lot more dangerous than yo garden-variety unemployed postal worker with an AK-4 We're looking at a near future bristling with thousands mad Mitnicks. Think of it: Everything in America depen on software. When your plane lands, your stockbrok makes a trade, your tax accountant puts a crucial spin o your form, software does the job. When young progran mers join middle-aged middle managers in the armies of th downsized and dispossessed, they'll have the knowledge t wreak havoc. Forget the occasional virus that wipes out yo Quicken files. These disasternauts in cyberspace could brin on the next plague. In last summer's computer thriller *Th Net*, the heroine had her identity erased through softwar sabotage. Play the same nasty game with, say, every thir American, and you'd have a virtual black death.

Of course, everything's fine now. Not many Twinkie gobbling codeniks are out of work just yet. Maybe whe their time comes, they'll go quietly, or content themselve with mere mischief, like sending guerrillas into Myst. But i some morning near the millennium, you get a $36,000 ligh bill, don't say I didn't warn you.

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(continued from page 186) Leadership training can lead to awareness, but some folks have the touch, a lot don't. If the "got its" aren't born to it, they certainly are well on their way to it by age 10. And I believe, as do Jim O'Toole and my consultant-hating pal from the nonprofit world, that inspired leadership can turn sows' ears (rotten circumstances) into silk purses (great schools, great factories, etc.).

Witness, again, the quality "revolution." Exemplar companies, such as Milliken & Co., have all the charts, all the graphs, use the language. But the magic factor is, pure and simple, "Rushmorean leadership," to steal a phrase from O'Toole. Roger Milliken at Milliken & Co. lives, sleeps, eats, breathes, sweats quality. Go to Germany, as I did a couple of years ago to study stellar middle-sized companies (members of the Mittelstand), and you'll get it. No quality circles. No statistical process-control charts. But talk, even for a few minutes, with Siegfried Meister, boss of the high-end stove-maker Rational, and you will really begin to understand what it means when quality is in the genes. The passion is there. The integrity is there. In a word, *leadership*!

3 Truth is, there's truth to be had. I'm convinced, after watching and working in organizations for three decades, that there are five constants that mark success sustainers:

Decentralization. A lot of the *In Search of Excellence* companies let me down. But the three I loved most when Bob Waterman and I did the research for the book in 1979 still inspire me; namely Hewlett-Packard, Johnson & Johnson, 3M. Their businesses are different. All are participants in intense global horse races. But, year in and year out, they deliver...and reinvent. The common core: an amazingly high level of entrepreneurship in monster-sized institutions. You can get decentralization very wrong (often decentralization on paper isn't decentralization in reality), but granting astonishing degrees of unit autonomy, encouraging entrepreneurship and more or less letting the chips fall where they may tends to be the No. 1 key to sustained vitality.

Empowerment. No word has been so overused, and thence abused, in the last few years. Nonetheless, giving everyone a piece of the action, fiscally and psychologically, and letting them by and large do their own thing...well, that is the ticket.

I was highly amused when the *Harvard Business Review* (May-June 1995) featured an article by star business researchers Christopher Bartlett and Sumantra Ghoshal, titled "Changing the Role of Top Management: Beyond Systems to People." It turns out that these two scholars have discovered human beings. Good for them. And good for corporations that are getting it. Again, the empowerment "thing" can be screwed up to a fare-thee-well, but immeasurable energy is unleashed when it's done right.

A passion for product. Button-down strategy researcher Michael Porter sounds more like Elmer Gantry when he says, "You almost have to be a true believer to be competitive.... Of the hundreds and hundreds of world-class companies from around the world that I studied, an enormous proportion were...run by some maniac who had spent the last 20 years of his life on a crusade to produce the best product."

I have discovered there are two sorts of corporate bos those who are gung-ho about management per se, and th who are obsessed with the product or service they deli Talk with the former for an hour, and you may still have idea what they make. Hang around the others for 15 s onds, and you'll be regaled (like it or not, and it can get for the innocent bystander) by tale after tale of the prod how it's being improved and changed, why it's great, etc

Great systems. Okay, so I just trashed Bartlett Ghoshal for having belatedly discovered that people more important than systems. I believe that, but the still lots of room for great systems. Pittsburgh-based Barchetti Shops has won accolades as an awesome retai and boss Katherine Barchetti's secret is totally aimed-the-customer systems (and the most sophisticated appli tion of information technology I've seen in a small fir Research by McKinsey & Co.'s Global Institute sugge that methods of organization (such as the Japan automakers' lean production system) contribute more national productivity than any other factor. Bottom li Svelte, focused systems are priceless.

Paranoia. "Only the paranoid survive," claims ever-pa noid Intel chief Andy Grove in an oft-quoted (a deservedly so) line. "The new code of conduct," Dartmou business school professor Rich D'Aveni writes in *Hyperco petition*, "is an active strategy of disrupting the status quo create a series of unsustainable advantages."

Today's winners, and especially tomorrow's, will have penchant for disruption, a love of disorder—and even a wi ingness to throw baby parts (e.g., cherished "core compete cies") out with the bathwater...again and again.

4 Something big is going down. Canadian research Henry Mintzberg, by far the most underrated manag ment "guru" around, chides us for our arrogance. Eve generation, he says, claims the old days were simple, wh today is fraught with peril and unprecedented chang There's some truth to Mintzberg's rap. In a sense, the fi verities cited above are for the ages: decentralize, empow people, love that product, etc.

Nonetheless, it is a spanking new world. The inform tion-systems/information-technology revolution is real, a still in its infancy! One result: My five constants have be the trademark of big-time winners (3M, HP, Johnson Johnson, et al.); now they are the minimum survival requir ments for running info-tech-rich, dispersed "empires" which no one works for a particular company (the virtu corp. gig)...which is going to be everybody's game, or els Going global at birth will also become commonplace...f the one-person professional-service firm run out of the spa bedroom as well as for the big guys.

So listen to the fads (with two, not only one, grains salt). Insist on demonstrated leadership potential in eve new hire. Understand that some things (radical decentra ization and paranoia, for instance) are eternal. And belie Bob Dylan when he says the times they are a-changin'. An a-changin' damn near everything.

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STILL LEADERSHIP

These days, a torrent of management fads rushes through corporate America like the Mississippi on a rampage. A few truth emerge, but all demand brave leaders. By Tom Peters

"ALL OF THE 'GREAT' MANAGEMENT IDEAS AND GURUS HAVE failed us. Meanwhile, companies large and small have been inventing an approach to making money that is as radical as it is simple. For many of us it will quickly become the only way to run a business." With those immodest words on the cover, the June issue of *Inc.* purportedly demolishes all fads...and, surprise, introduces its very own wannabe fad! It's "open-book management" time, sports fans.

"My dad can beat up your dad." And "my fad's better'n your fad." That's the way it feels. Business folks are rightfully confused by the maelstrom of change. Consulting fee growth is going through the roof; gurus are sprouting up like mushrooms after a summer downpour; and the torrent of fads rushes through corporate America like the Mississippi on a rampage.

Consider: Total Quality Management, re-engineering, the flat organization, the virtual corporation, customer-is-king, the learning organization, third-wave management, empowerment, teams for all seasons and all reasons, and now, thanks to *Inc.*, open-book management. What in the hell is a manager supposed to make of it? Is it all hype?

A friend who runs a successful nonprofit (and is an unabashed consultant baiter/hater) thinks it is. "Leadership," she says, "that's it. Give me, for example, a rotten school system, a decrepit schoolhouse, a school-budget crisis but a *great* principal, and you've got a good-to-great school. Give me a 'great' system, great facility, etc. but a *rotten* principal, and you've got a poor-to-awful school."

She's not alone. Jim O'Toole of the Aspen Institute says the same thing in a scholarly way in *Leading Change*. Most/almost all of the "salvation-through-quality, re-engineering, etc." programs fail; the only constant that correlates with organizational success is over-the-top leadership.

My own take is as follows. There is usually gold in them thar hills of fad, even if most "programs" do fail; leadership is a sine qua non for standout performance; there are indeed some constants; and a new, if still inchoate, paradigm (if we must use that damnable word) is emerging.

1 Gold in fad hills. The date is 1980: Japan Inc. is kicki Detroit's butt. The date is 1995: Detroit is more or l roaring back, and the yen at 85 yen-to-the-dollar is far fr the whole story. Net: America had no quality tradition. F or not, high program failure rate or not, the "quality thin is real, firmly embedded in the American managerial psyc and has improved national competitiveness.

Deming's 14 steps, Crosby's "quality is free," the "MB QAC" (or Malcolm Baldrige National Quality Award Cri ria) etc. are not the point. And who cares if 90% of balloo launched programs don't amount to a hill of beans? T best are showing the way. The tide is rising. And laundr mat owners as well as jet-engine makers now speak the la guage of quality, however haltingly.

The date is 1985: Thanks to Mike Milken and intern tional competition, our corporate giants are forced to g lean and flat. How do you manage these newly shaped bu gers? Late 1995: The answer is...re-engineering.

Sure, re-engineering can be a cover for mindless middl management genocide, but the essential idea stands. Repeat TQM: Most re-engineering programs fail. The hype naus ates. But...the tide is rising, true-believer stars are showi the way and we are learning to manage "horizontally."

The quality/re-engineering "fad" stories are repeat chapter and verse for virtual organizations, empowerme and so on: a lot of smoke, numerous fires, a handful of bo fires and a slowly rising tide. In fact, most of the grand fa are rooted in good sense. Peter Drucker's mid-'50s manag ment by objectives, though perverted into bureaucratic gol bledygook, was perfect for the disorganized times (pos World War II; firms getting huge, growing fast...without coherent management framework). Message: Just becau it's faddish, just because it's hyped and then poorly execute most of the time, don't write it off.

2 It's leadership, meathead. I agree with psychologist Jam Hillman: Leaders are more or less born, not made (mo recently stated in his book *Kinds of Power*). *(continued on page 18*

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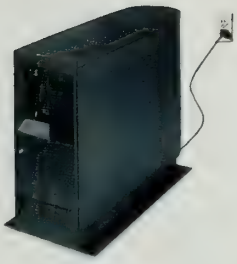

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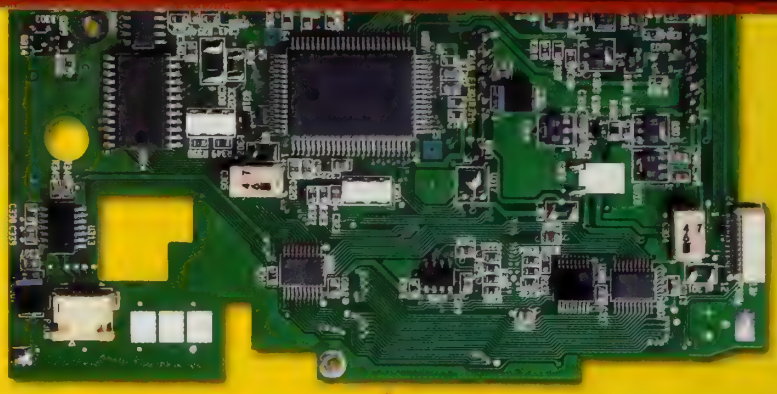

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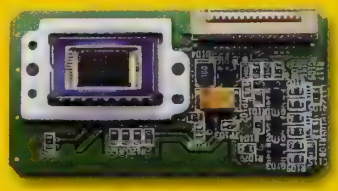

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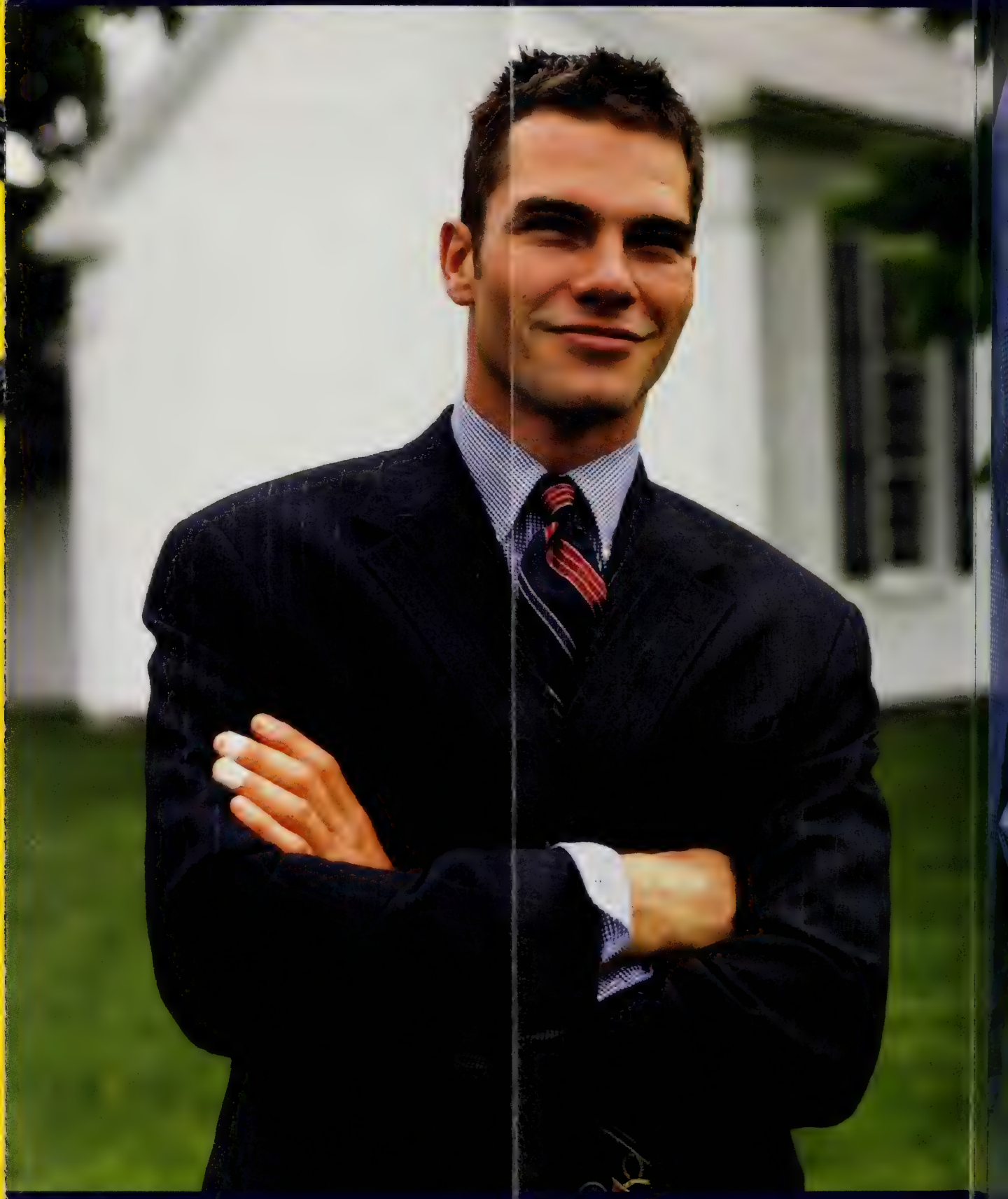

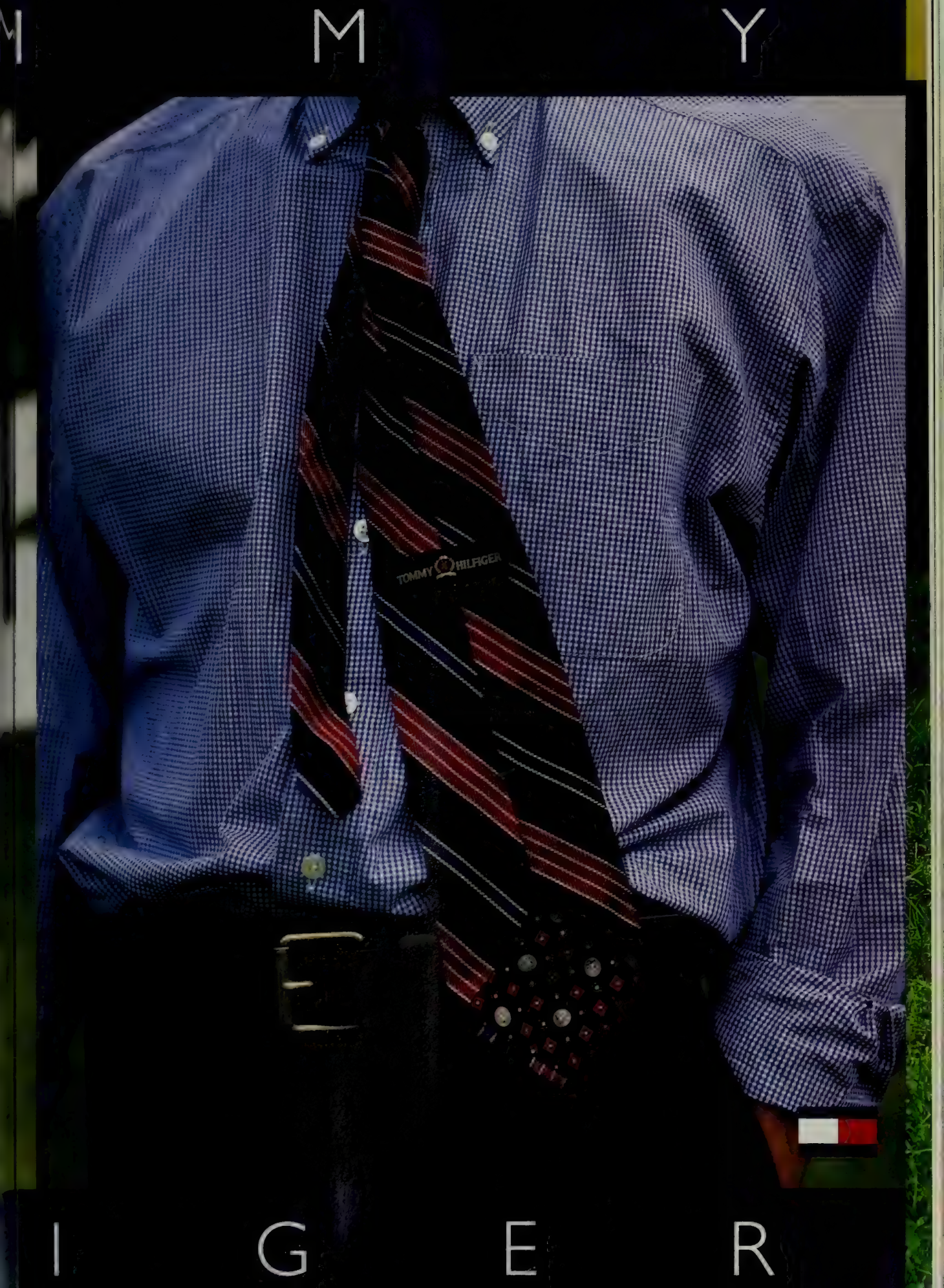
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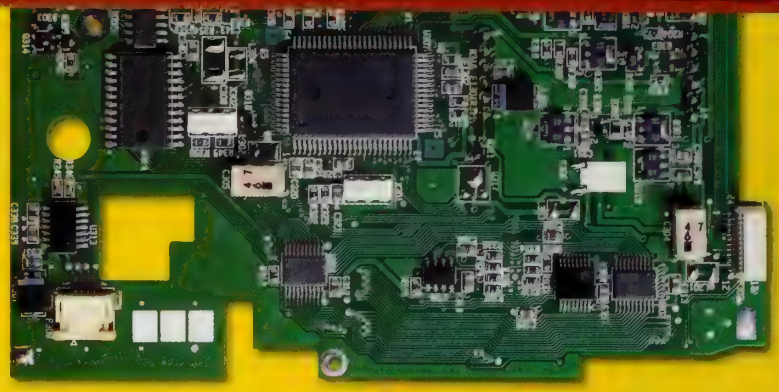

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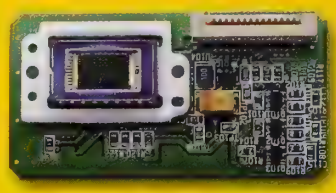

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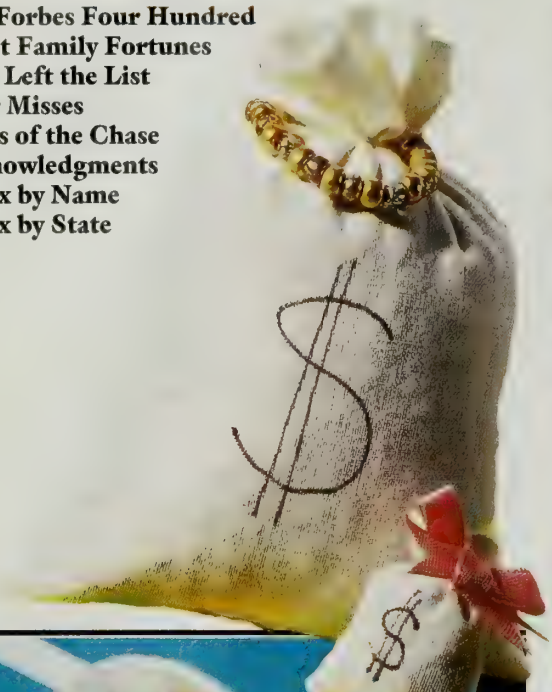

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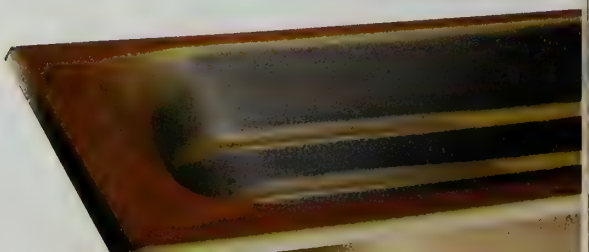

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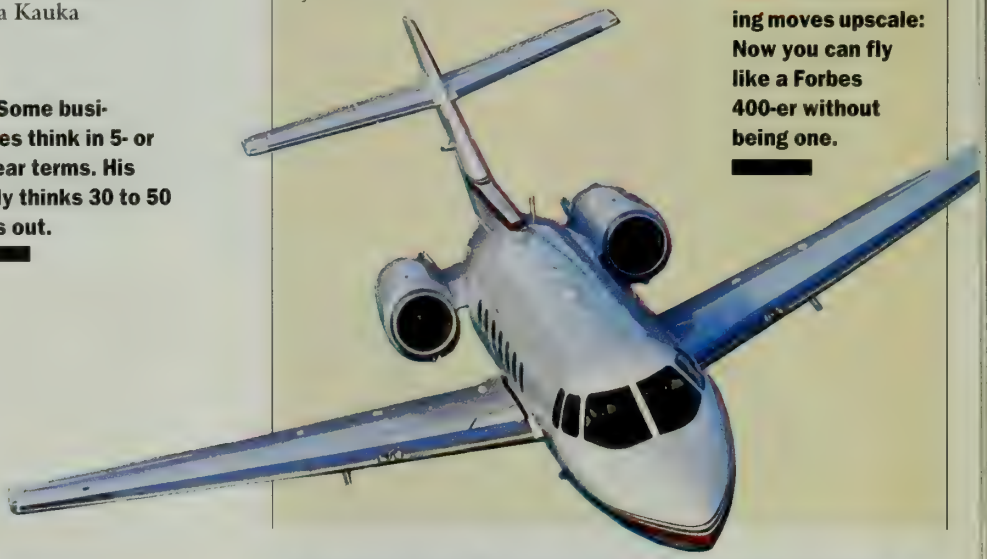

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Chatting with the rich and famous

ALTHOUGH IT APPEARS just once a year, The Forbes Four Hundred is a four-season project. As soon as the issue closes in late September, reporters and editors begin work on the next year's tabulation of the richest people in the U.S. Headed this year by Peter Newcomb, the team included, from top to bottom, Newcomb, Jim Samuelson, Dolores Lataniotis, Josh McHugh, Wendy Giman, Ann Marsh (center), Lorna Bieber, Harry Seneker and Roger Zapke. Unavailable for the picture but also a major source of input are Paul Choi and the folks in our library under Anne Mintz—with special thanks to Linda Stinson and Clarita Jones.

The Forbes Four Hundred team

In their reporting our staff runs into all types, from people who want to push their way onto the list to those who would love to be left off. Some won't come to the phone. Others are chatty. We phoned communications billionaire Craig McCaw. "Civil defense," he declared as he picked up his phone, and went on to explain how, all to the good, his dyslexia helped him become a conceptual thinker, less practical, more intuitive. Before signing off, McCaw chided our reporter for working at a "regressive" company that requires employees to come to the office rather than encouraging them to telecommute.

Joan Kroc, of the McDonald's burger fortune, let off steam about the state of American politics, declaring that henceforth her purse strings were closed to politicos. Cintas Corp. Chairman Richard Farmer had a similar comment. The uniform rental king, a longtime Republican, told us he'll sit out the next election.

Hollywood billionaire David Geffen did his regular good-natured act about how inept FORBES is at figuring his wealth. We've raised him by 30% this year. Geffen's claim that he made a killing in the market checks out. Our Ann Marsh interviewed software magnate Larry Ellison over dinner and Oracle Corp.'s $4-billion-aire talked about his obsessive competitiveness. "He never once mentioned Bill Gates," Marsh says, "but the Microsoft founder seemed almost an invisible tablemate, especially when Ellison said: 'In some things I would rather die than come in second.' " Watch out, Bill. Larry plays for keeps.

James W. Michaels
Editor

Once again, the safest insurance company in America is headquartered in:

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~~Boston~~
~~Hartford~~
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~~Chicago~~

Columbus, GA?

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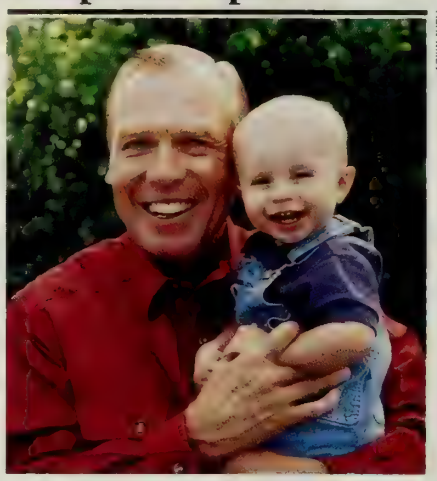
FOLLOW-THROUGH

EDITED BY MICHAEL SCHUMAN

Independent spirit



Kent Miles

Jon Huntsman with grandson
He almost got $3.1 billion for his firm.

JON HUNTSMAN thought he made the biggest deal of his life last year—the $1 billion acquisition of Texaco's chemicals operation *(July 18, 1994)*. But this year he almost completed an even bigger one.

Huntsman came close to selling his private chemical company to the U.K.'s Hanson, Plc., which owns Quantum Chemical. The family could have picked up as much as $3.1 billion. The cash looked attractive for another reason, too: Huntsman wanted to donate a chunk to his cancer research center at the University of Utah. Huntsman has recovered from prostate cancer.

But in the end he opted for autonomy. "With so many of the second generation already in the company, we decided it would be best to control our own destiny."

He was swayed by the chemical price cycle. Prices have boomed, and only a bit of new capacity is coming on line. Cash flow at the Texaco operation alone is $372 million—111% above expectations.

And what of the cancer research? Huntsman has pledged $100 million over the next five years.

–PHYLLIS BERMAN

Prodigal brother

EIGHT YEARS AGO Marshall Field V and his half brother Frederick (Ted) Field were each worth around $400 million *(Oct. 26, 1987)*. Today Marshall's fortune has fallen to $300 million. He fell off The Forbes Four Hundred in 1993. Ted has nearly doubled his wealth to $750 million.

Ted and Marshall ended their rocky financial relationship in 1984, when the family conglomerate dissolved. Marshall, the conservative Harvard grad, kept some of the old assets, such as Cabot, Cabot & Forbes, a property development firm. But the seemingly solid investment was crippled by the real estate recession of the 1980s. To compensate, more successful investments, including musicmaker Muzak and publisher Funk & Wagnalls, were sold off.

But Ted, the maverick ex-race-car driver, took his $260 million share of Field and founded film production company Interscope Communications and record label Interscope Records. A riskier choice than Marshall's, perhaps—but Ted churned out box office hits like *Three Men and a Baby* and *The Hand that Rocks the Cradle* and controversial "gangsta" rap from Snoop Doggy Dog. Time Warner sold its 50% of the record company back to Field for an estimated $115 million.

Being a model son doesn't always keep you on The Four Hundred.

–TERZAH EWING

Club dues

THE FORDS, Mellons, Vanderbilts and other bigwigs all have hideaways at the low-key Jupiter Island Club in Hobe Sound, Fla. *(Oct. 22, 1990)*. Now the members may be losing their already dwindling privacy.

The four children of late club founders Joseph and Permelia Reed offered to sell their 60% of the Hobe Sound Co., which owns the unprofitable club, to the members, who hold the remaining 40%, for $60 million. The assets were appraised at $150 million, but the members, led

Brian Smith

Hobe Sound, home of Jupiter Island Club
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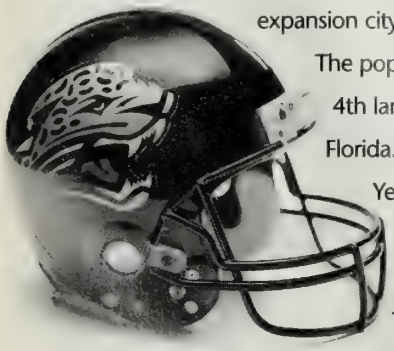


THE EXPANSION CITY
Jacksonville
ON FLORIDA'S FIRST COAST

This message is a cooperative effort of the Jacksonville Chamber of Commerce, The City of Jacksonville, Clay County's Committee of 100 and the Jacksonville business community.

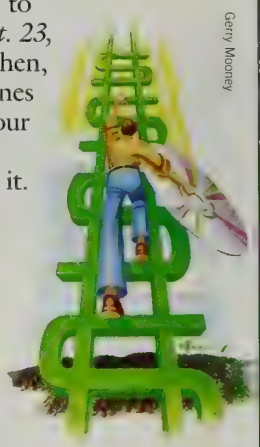
by former Morgan Stanley managing director William Black, thought the price too high. He offered $12.5 million and their 40% in the firm's other assets—a water company and 220 acres of undeveloped land—for the 60% of the club. Insulted, the Reeds looked elsewhere.

Now it appears the Reeds will get $60 million. Charles Hermanowski, president of a cable company; Thomas Coltrane, a real estate broker; and a club executive will probably finalize a contract this month.

They might not be too popular with residents. The investors plan a face-lift for the vintage club. Among other things, they plan to build $1-million-and-under town houses (cheap for Hobe Sound) on the undeveloped land. The members will have 120 days to match the offer, or possibly see their lifestyle disappear.

Chip rush

SIX YEARS AGO we noted that the microchip was the technological breakthrough underpinning the fortunes of a variety of businessmen, from Sam Walton to Mike Milken *(Oct. 23, 1989)*. But back then, a mere nine fortunes on The Forbes Four Hundred were directly related to it. Only one, Intel's Gordon Moore, was a microchip innovator, and another eight were based on computer hardware and software.


Gerry Mooney

This year, 23 of our 400 have fortunes based on computers. Their combined net worth totals $45 billion, more than four times as much as in 1989. Computers are also the hottest way onto the list, accounting for 7 of 1995's 37 newcomers.

But if you want a safe bet, head to software over hardware. The number of software-based fortunes has more than quadrupled since 1989, to 13, and all 3 of the 1989 entrants are still on The Forbes Four Hundred. But half of the 1989 hardware entrants, including Apple founder Steve Jobs, have dropped off. ■

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Darting in and out

KENNETH DART, the billionaire investor and foam-cup maker, renounced his U.S. citizenship and became a citizen of the Central American tax haven of Belize. Now the government of Belize has asked the U.S. State Department if it might be allowed to open a new diplomatic post in Sarasota, Fla. Guess who would represent Belize in Sarasota? Ken Dart, of course. U.S. Ambassador to Belize George Bruno, in an April cable to the department, said Belizean officials told him Dart would have "special responsibilities in the area of trade and finance." At least Ken Dart wouldn't need to go house-hunting. In 1989 he moved Dart Container, his wife and kids from Michigan to Sarasota, where the Darts own property. If Dart spends more than a month in Sarasota, he loses his tax advantages. But as a "diplomat," he could live there year-round and still thumb his nose at the IRS.

Foam-cup mogul Kenneth Dart
Thumbing his nose at the IRS.

Will the watercooler go, too?

MICHAEL DELL of Dell Computer is famous for driving his people hard, but now it seems he wants to cut off their views. He is rumored to be planning a third office building at the company's Round Rock complex, this one windowless. A local video producer confided to a FORBES writer: "Around town it's called Stalag 13," referring to the prison in the TV sitcom *Hogan's Heroes*. We checked with Dell's public relations people. "Well, of course it will have some windows, just not that many," a company flack drawled. Does Mike think his employees waste too much time gazing out at the landscape?

Doug Mihret/Outline

Dell Computer chief Michael Dell
Building the new Stalag 13.

Frequent fliers

WALTER ANNENBERG'S $1 billion collection of impressionist works summers at the Metropolitan Museum of Art in Manhattan and winters at the Annenberg estate in Rancho Mirage, Calif. Each year the collection is flown twice across the country. Let's hope they keep those aircraft in tip-top shape.

Fired and fired at

THE OUSTED chairman of American Express, James Robinson III, and his press agent wife, Linda, have taken refuge from their cares on a peaceful estate overlooking Lake Waramaug in Connecticut. But the socialite couple have found no peace. Their estate adjoins the 30-acre Hopkins Vineyard, whose owners have their own problems: birds that get to the grapes before they can be picked. To save their crop, the Hopkins people have a 4-foot-long, red-and-blue cannon that fires blanks every minute or so. Adding to the din, the grape growers have

Robin Platzer/Twin Images

James and Linda Robinson
The couple have found no peace.

Illustrations by John Segal

strengthened their defenses with sound systems and whistles. Sighs Linda Robinson, "I understand the business of running a vineyard, but I wish we could get a silencer."

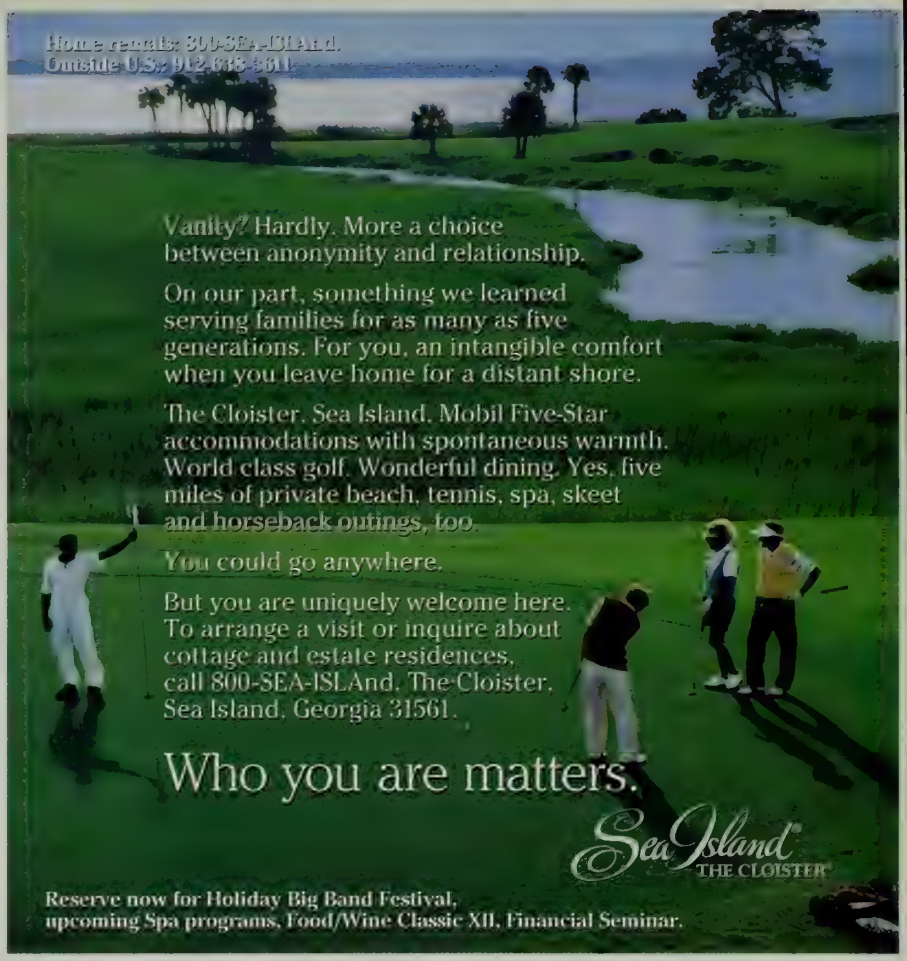
Chicken soup

UNTIL NOW Amarillo, Tex. tycoon Stanley Marsh III has been best known for Cadillac Ranch, which features an embedded row of Cadillacs and ubiquitous pop art signs, one that reads "Steal this sign."

That sign, it seems, has landed Marsh into the (chicken) soup. Ben Whittenburg, the teenage scion of the family that formerly owned the *Amarillo Globe Times,* took Marsh up on the offer and stole one of the signs last year.

An old-fashioned Texas feud followed. The Whittenburg family alleges in a lawsuit filed last week that Stanley Marsh took violent revenge. The suit says that on a church campout in a Whittenburg-owned park, Ben awoke in his van to find Marsh brandishing a sledgehammer-like object, pounding on the side window. He forced Ben out of the van and began cursing and threatening to smash his arms. According to the suit, Marsh then forced young Whittenburg into a chicken pen and held him there until a family farmhand arrived and set him free.

The Whittenburgs seek unspecified damages, demanding "an amount sufficient enough to deter Mr. Marsh, in light of his great wealth, from ever again engaging in such egregious behavior." Marsh told a local reporter he thinks it's a ploy for profit.



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Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*

STOP STUNTING OUR PROSPERITY

THE DIRECTORS OF THE National Association of Manufacturers have issued a resolution calling on the Federal Reserve to ease monetary policy to stimulate growth. Others should take up this cry. There's no reason we can't expand at a 50% to 100% faster pace than the Fed thinks we're capable of doing.

Our central bank, with the overt support of the Clinton Administration and the passive acceptance of congressional Republicans, believes that real growth in excess of 2.5% a year will trigger inflation. That's a preposterous proposition, but it still retains an unassailable grip on the minds of Washington policymakers. Between the end of the Korean War and the big Vietnam buildup of the 1960s, the U.S. economy expanded at an annual average of 3.5%, with negligible inflation. Growth during the Reagan expansion averaged almost 4%, while inflation plummeted.

Given the Reagan record, not to mention so much other overwhelming evidence, why doesn't the GOP take the Fed to task?

LASSOING LAWYERS LIBERATES THE REST OF US

TORT REFORM IS BOGGED DOWN, even in this Republican Congress, as the trial bar showers contributions on a party it had disdained until last November's elections. Too bad: Real change would help stimulate prosperity. A study from the National Bureau of Economic Research finds that reforming our so-called civil justice system will enormously benefit job creation and economic expansion. Researchers found that states that reduced excessive litigation and unjustified awards did far better economically than states that did not. In fact, the study found that employment fell when suit-encouraging laws were passed.

Gratifyingly, states are enacting their own progrowth changes. Particularly impressive are reforms enacted by Governor George W. Bush in one of the most notoriously litigation-happy states, Texas.

GO SLOW

REPUBLICANS are ready to wield an ax against the earned income tax credit. They should think carefully before they act. This credit supplements incomes of low-wage earners. Its goals: to get people off welfare, since taking a job means a sharp, quick loss of noncash benefits, and to keep those with low incomes from falling into welfare.

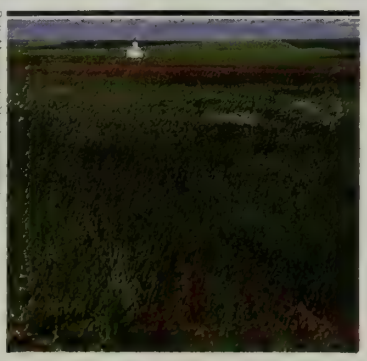
The program has expanded far beyond what it should have, and it is riddled with fraud. The GOP is, of course, right to deal with these problems. But until there is genuine welfare and tax reform (read flat tax), the principle of the earned income tax credit is sound.

A scalpel, not a meat cleaver, is called for.

AN ANTI-AG PROGRAM

ONE MEASURE Washington should kill is the Conservation Reserve Program. Its purpose is to have farmers set aside highly erodible or other environmentally sensitive land. Farmers are paid not to grow crops on the land for ten years.

This supposedly pro-environment program does more harm than good. Around 36.4 million acres have been set aside, an area larger than the state of Iowa. Most acreage is actually good agricultural land that could be used soundly by incorporating basic environmental safeguards.



Patti McCormick/The Image Bank

Opportunity lost: Unused fields mean losing overseas markets.

At a time when world trade for food is growing, this perverse program reduces American agricultural production, thereby leaving global markets open to foreign competitors. Lower production has meant lessened agricultural activity, resulting in social costs. Senator Kent Conrad (D–N.D.) has blamed the Conservation Reserve Program for destroying "small town after small town."

Good land should not lie fallow, especially when market opportunities are expanding worldwide.

POLITICAL HOSTAGE

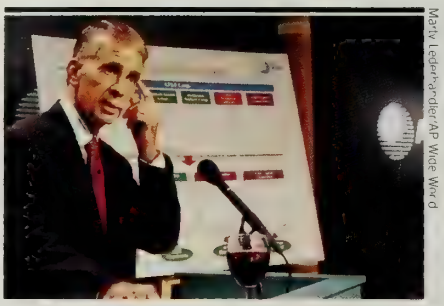
THE CLINTON ADMINISTRATION is slowing down efforts to bring other nations, such as Chile, into Nafta. The reason is political. In the aftermath of the Mexico debacle, Nafta is seen as an electoral liability. Ironically, if the Administration and Mexico had lived up to the spirit of Nafta, Mexico today would be humming with vibrant rates of growth.

Last December's disastrous devaluation (which we urged on Mexico) was an anti-free-trade move meant to make our exporting to Mexico more difficult and to give Mexican exports an artificial boost by effectively lowering their prices. That is protectionism. Since December, our exports to Mexico have shrunk, costing us tens of thousands of jobs. The Mexican economy is in deep recession.

Previously, U.S.-Mexico trade had blossomed because barriers were lowered and the peso-dollar relationship was stabilized. Between 1985 and 1994, American exports to our southern neighbor just about quadrupled, from $13 billion to $50 billion.

BIG LESSONS

THE STUNNING ANNOUNCEMENT that AT&T is splitting itself into three companies underscores two critical points. The first, and lesser one, is that big is not necessarily better, despite a spate of sensational mergers. The information age puts a premium on speed for creating opportunities and for implementing up-to-date technology. Only such fast companies can achieve the productivity and create the products and services essential for staying successful. AT&T's CEO Bob Allen rightly pointed out that management was spending too much time and too many resources keeping track of and integrating the company's multitudinous businesses and markets.



Marty Lederhandler/AP Wide World

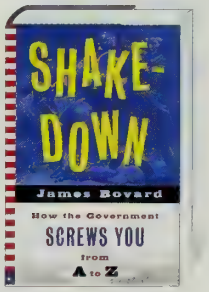
CEO Allen: Keeping core company focused by shedding non-core parts.

The breakup will mean thousands of layoffs, which leads to the second, more important point: In an environment where such downsizing remains a constant, it is essential that the American economy be expanding vigorously instead of moving at the anemic rates of recent years. Otherwise, those jobs will not be replaced with comparable ones—not to mention creating the new ones needed for young entrants into the work force.

The way to get the economy growing as it should is to enact the flat tax. That won't happen until after the next election. In the interim, Congress must cut the capital gains tax to generate job-creating investment.

TRUE TALES OF TERROR

Shakedown—by James Bovard (Viking, $14.95). Bovard's make-your-blood-boil book of government's abusive excesses against ordinary Americans should turn even the most stout-hearted statist into a fervent libertarian. In anecdote after anecdote the author chronicles outrageous acts from agencies such as the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Department of Housing and Urban Development, the Food and Drug Administration, and even municipal zoning boards. This wee volume underscores the reason so many Americans are turning conservative. It's one thing for the government to go after major corporations, quite another when it begins strong-arming countless thousands of ordinary citizens.



Bovard's wide-ranging, meticulous research has probably put him at the top of any bureaucrat's most-wanted list. **Excerpts**: *In 1990, Sissy McGill, owner of Solid Gold Pet Foods in El Cajon, California, was jailed for 179 days and fined $10,000 after the FDA prosecuted her for claiming that her dog food offered pooches "a long and healthier life." . . . FDA review time for major new medical devices has increased from 337 days in 1988 to almost 800 days in 1994. . . . The Endangered Species Act has made self-defense a crime. John Shuler, a Montana rancher, was fined $4,000 by the Interior Department for shooting a grizzly bear. Shuler saw three grizzlies attacking his sheep—and a fourth one heading toward him. He shot the bear charging him, then retreated to the safety of his home. [When] the Interior Department sued, a judge held that Shuler was at fault because "he purposely placed himself in the zone of imminent danger."*

RESTAURANTS—GO, CONSIDER, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES *eatery experts Jeff Cunningham and Tom Jones.*

● **Parioli Romanissimo**—24 East 81st St. (Tel.: 288-2391). Remains one of the best—and most expensive—restaurants in New York.

● **Martini's**—810 Seventh Ave., at 53rd St. (Tel.: 767-1717). Food very inconsistent. Maryland crab cakes not only uninspiring but the smallest we've seen. Chicken breast paillard, over-sauced. French fries, disappointing. So are desserts.

● **Taliesin**—55 Church St. (Tel.: 312-2000). Positive addition to the limited selection of restaurants downtown. Grilled lamb chops and grilled swordfish, first-rate. Flourless, bitter chocolate cake with caramelized bananas, and the lemon mascarpone cheesecake, heavenly. Service wasn't quite up to the standard one would expect in a hotel restaurant.

● **Le Colonial**—149 East 57th St. (Tel.: 752-0808). Bad-tasting, greasy food; inattentive service. Victim of its own success.

● **Sasso**—1315 Second Ave., near 70th St. (Tel.: 472-6688). Welcome is warm; service is efficient and courteous; and the food is very good. Beef gnocchi with arugula and goat cheese sauce—innovative and delicious. ■

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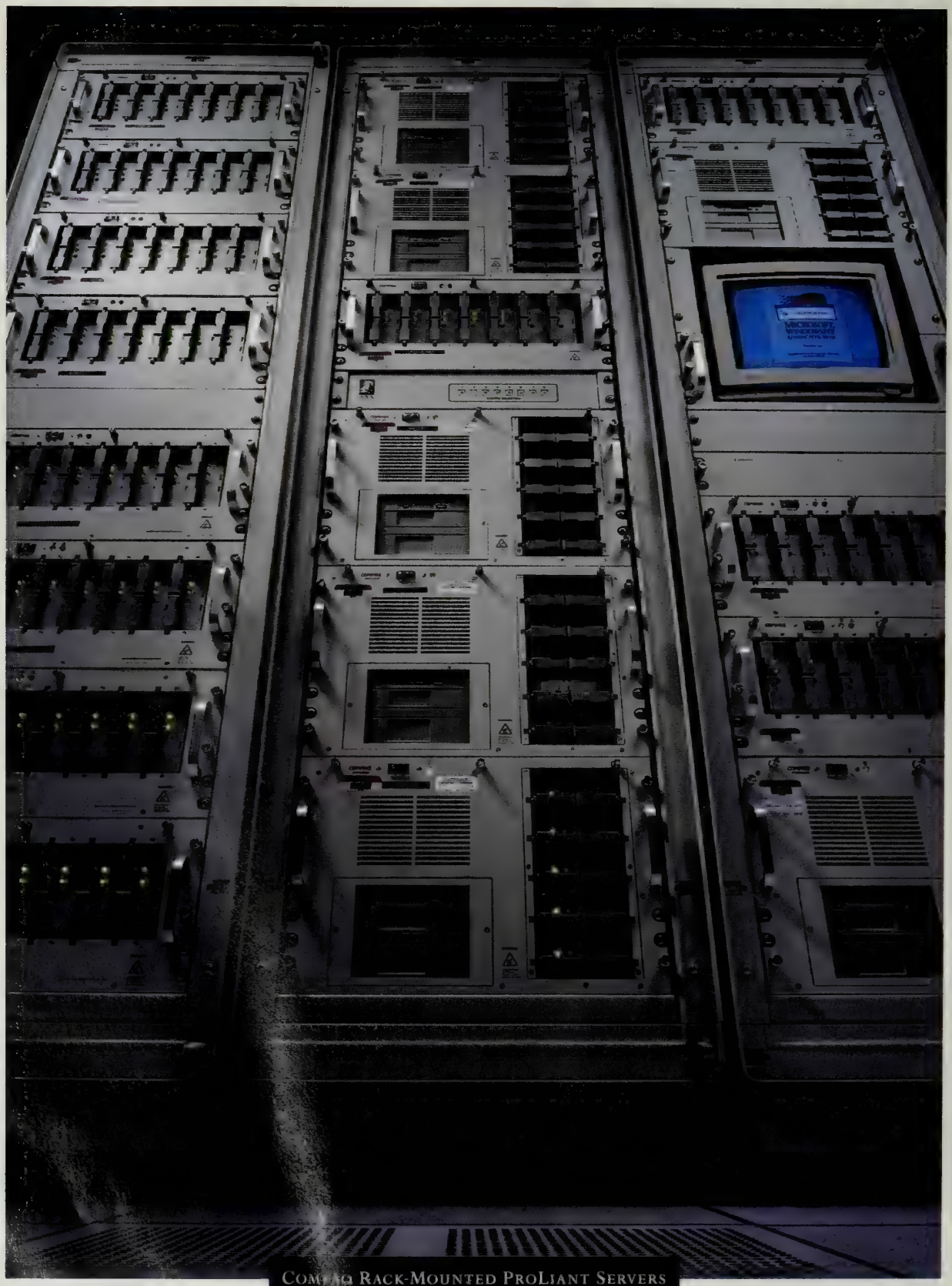

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Other Comments

Think About It

THEY SAY nobody reads anymore. I don't know why. It isn't as if there were anything better to do. Look at people who are not reading. What are they doing? Washing the car. Shopping. It brings you close to tears.

When we hear of nobody reading anymore, the Dark Ages come to mind, and with them images of endless boredom. Nowadays of course, with so many things to do, boredom on a Dark Ages scale is unthinkable. That's because so many of the things we do encourage us to wallow in unthought.
–RUSSELL BAKER, *New York Times*

Flatly Appealing

WITHIN MONTHS of Ronald Reagan's 1981 inauguration, Congress enacted the Kemp-Roth tax bill, cutting marginal tax rates by 25%. Now Alabama Senator Richard Shelby predicts that within eight months of the inauguration of a Republican president in 1997, Congress will enact a flat-rate income tax to replace the current personal and corporate income-tax structure.

The arguments for the flat tax are the same as those that have driven the national rejection of racial preferences and quotas. Americans are tired of being divided against each other on the basis of race and gender, and they are tired of being divided against each other on the basis of income. They want to be taxed at the same rate, regardless of whether they work on Saturdays, take a second job, or have a working spouse.

The enactment of the flat tax, says Shelby, is now inevitable. It will be, he says, "a final rejection of the European class-based politics of hate and envy that never had any place in America."
–GROVER G. NORQUIST, *American Spectator*

The mystique of wealth [is] the ultimate magnet—and the greater the fortune, the more unimaginable and mythical its dimensions, the more compelling its attraction.
–*Financier,* by CARY REICH

School Daze

IN THE 1960s, the total budget for all U.S. colleges and universities was about $7 billion; in the early 1990s, largely because of massive state and federal funding increases, it surpassed $170 billion. Yet tens of thousands of *college seniors* do not know when Columbus sailed to the New World, who wrote the Declaration of Independence, or why the Civil War was fought. Businesses rightly complain that they must reeducate college graduates in such basic academic skills as grammar, spelling and practical math. The effect of government subsidy and control has [been] a situation in which the entire system of American higher education is academically, morally, and quite literally, going bankrupt.
–GEORGE ROCHE, President, Hillsdale College

"Nothing comes easily in life, Junior. If you want something, you usually have to ring for it."

PC Party

THE NEWS MEDIA'S embrace of the Democrats' multicultural agenda has backfired. Like the Democratic Party, major U.S. news organizations have made an institutional commitment to diversity, which has encouraged a narrow, multiculturalist orthodoxy.

And like the Democratic Party, the news media are increasingly dominated by an insular elite whose education and career experience have provided them with little exposure to ordinary middle class people who might disagree with the cultural left's agenda.
–WILLIAM MCGOWAN, *American Journalism Review*

Put Up or Shut Up

SELF-RELIANCE and self-governance offer profound human satisfactions. But self-governance will require that we devote a good deal more sustained attention to public affairs than we do now—not only to the interesting sphere of national politics but also to the tedium of the town council, school board, public-service commission and the like. Citizenship (to turn a phrase of Oscar Wilde's about socialism) takes a lot of evenings, and there is reason to wonder whether many of us will not prefer to put our energies elsewhere. For all our talk about civic virtue, we have yet to ask ourselves whether we are prepared to pay the price for it.
–Wilfred M. McClay, *Commentary*

You Never Know

J. WATSON WEBB JR. recalled that one day, his grandmother, Louisine Havemeyer [prominent art collector of the 19th century], brought him into the kitchen of her house and told him he had to learn to boil potatoes. And he said, "Well, why do I have to do that?"

The answer came: "Well, you never know; the wheel of fortune turns, and you'd better learn to boil potatoes."
–LORNA KOSKI, *W*

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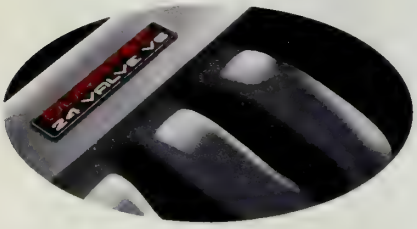

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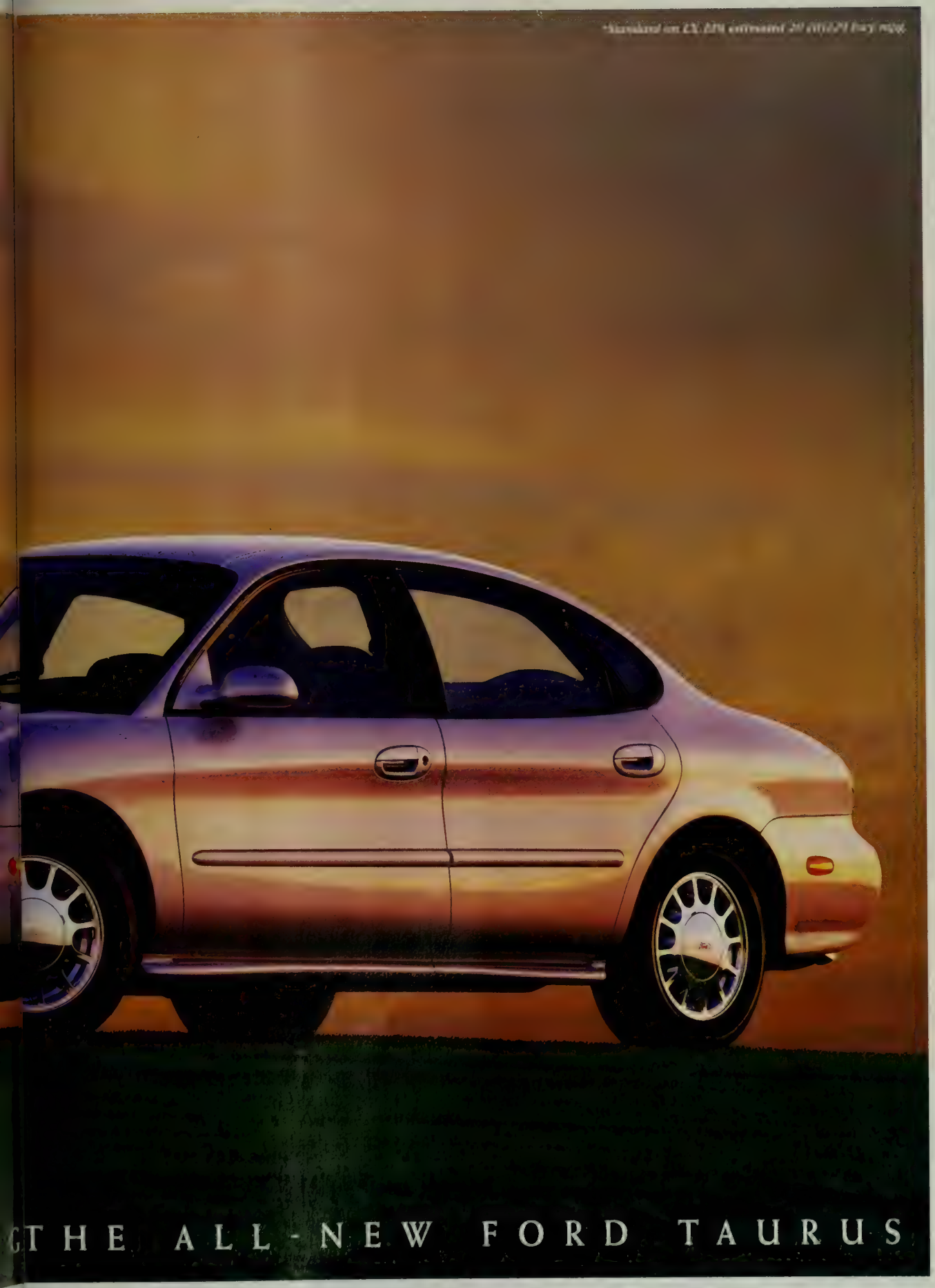
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forests

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Commentary

on events at home and abroad

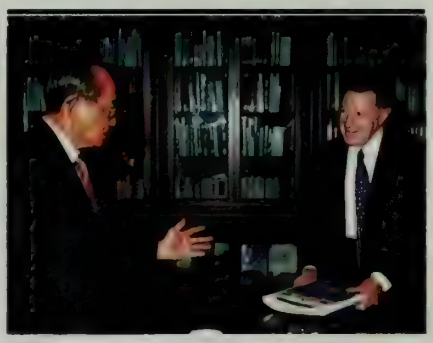
By Caspar W. Weinberger, *Chairman*

THE PHILIPPINES—1995

BELIEVERS IN FREE-MARKET CAPITALISM have long pointed to the success of the Asian-Pacific giants, with the Philippines once included in this group, to prove their tenets. By most measures the Philippines' economy was roughly equal to Japan's in 1964. But then, beset by the feeble, greedy, inefficient Marcos government, which had no attachment to real free-market policies, the Philippines, further weakened by incessant insurgency warfare, slipped markedly.

In 1991 Corazon Aquino's government, by a single Senate vote, lost the fight to keep American military bases in the Philippines, thereby driving out the country's only growth industry. By 1992 GDP growth was feeble, and Manila was experiencing daylong power blackouts. Many U.S. and other foreign companies were seriously discussing leaving. But in 1992 General Fidel Ramos was elected president—launching the Republic on the road to recovery.

Christopher Forbes and I visited President Ramos in October 1993 and again last month. The changes are spectacular. Consider the economic vital signs: In 1992 GDP was showing under 1% growth; in 1994 growth was about 5%, and estimates are that it will exceed 6% in 1995. Foreign investment is up sharply, with Japan more than doubling its stake. And merchandise exports are up 35% in the first half of this year.



Philippine President Ramos with CWW: Spectacular changes in just a short time.

None of this has happened by chance. President Ramos lifted the old restraints on foreign investment and broke several feudal monopolies, such as the Philippine Long Distance Telephone Co. This encouraged some foreign and domestic companies to enter the field, creating many new jobs and immeasurably improving telephone service.

U.S. Ambassador John Negroponte, a skilled professional, told us that privatization is proceeding rapidly. Inflation during the first quarter of this year was held at 5.6%, and there is now a budget surplus of 8.9 billion pesos. Effective military action has virtually ended the guerrilla threat, and continuing peace talks with the small bands of insurgents should bear fruit. The lights in Manila are on again full time, thanks to exceptionally fast power plant construction encouraged by the President's programs, which work in conjunction with the private sector. This success has helped the President fulfill his first pledge to the electorate.

Productivity is up substantially, belying the old theory that "Spanish tradition" renders Filipinos incapable of hard work. Infrastructure and other construction is evident everywhere. And tourism is on the rise—up 18% in the first quarter. Both bond rating services have upgraded the Philippines' debt, which means reduced borrowing costs in the future. And on the political front, President Ramos and his coalition won a resounding victory in the May elections, which will help maintain these successful economic patterns.

All is going so well that some of the President's ardent supporters are urging him to follow the Argentine precedent of repealing the constitutional prohibition against a second term and running for reelection. Absent an amendment, President Ramos must step down in 1998. He has discouraged such talk by reminding his audiences that he favors term limits and the extension of democracy everywhere. Of all his accomplishments, the President seems proudest of the government's attachment to democracy.

President Ramos' priorities for the rest of his term are the continued growth of GDP to near 10% by decade's end; tax reform (reducing tax rates but securing a major increase in the percentage of the population that pays taxes, currently 2%); continued privatization; improved water supplies and more infrastructure modernization, including plans to ease traffic congestion. And the President favors a foreign policy based on countering China's aggressive actions with the "code of conduct" already agreed to by the Chinese.

Are there any negatives in this starry picture? A few: widespread poverty in the islands; a large part of the budget surplus' coming from the sale of government-owned businesses—a windfall that can't be realized every year; potential Muslim extremist activities; possible "destabilizing" Chinese aggressiveness; and a need for more investment that produces jobs rather than stock market profits.

None of these problems is insurmountable. President Ramos has time enough to make his country's future even more positive than its remarkable present. ■

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For 130 years the Robinson family has dwelled in a private Xanadu, but these days the tax collector invades even paradise.

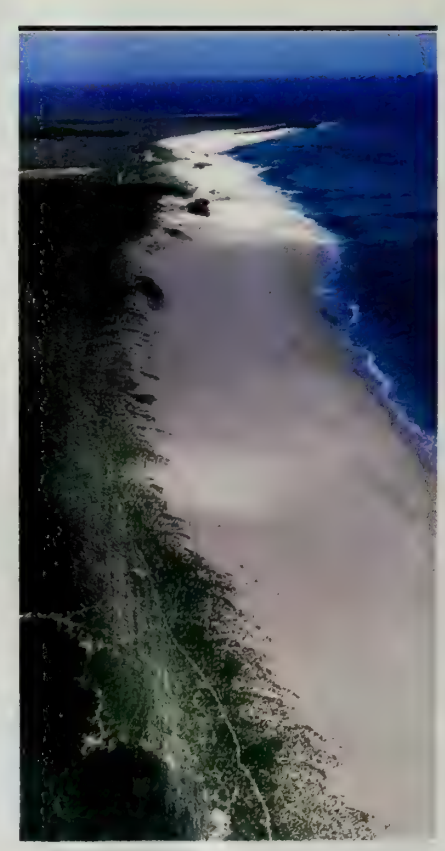
Hawaiian family Robinson

By Ann Marsh

WHEN A WELL-TO-DO Scottish family came to Hawaii in 1863, King Kamehameha IV offered it Waikiki and what is now Pearl Harbor. They turned him down. After abandoning their homestead in New Zealand, established just 20 years earlier, they wanted more remote lands. For $10,000 in gold, they bought Niihau, one of the smallest islands in the archipelago. That was a lot of money then. But they possessed a modest fortune from the shipping trade. Eventually they purchased more than a sixth of neighboring Kauai.

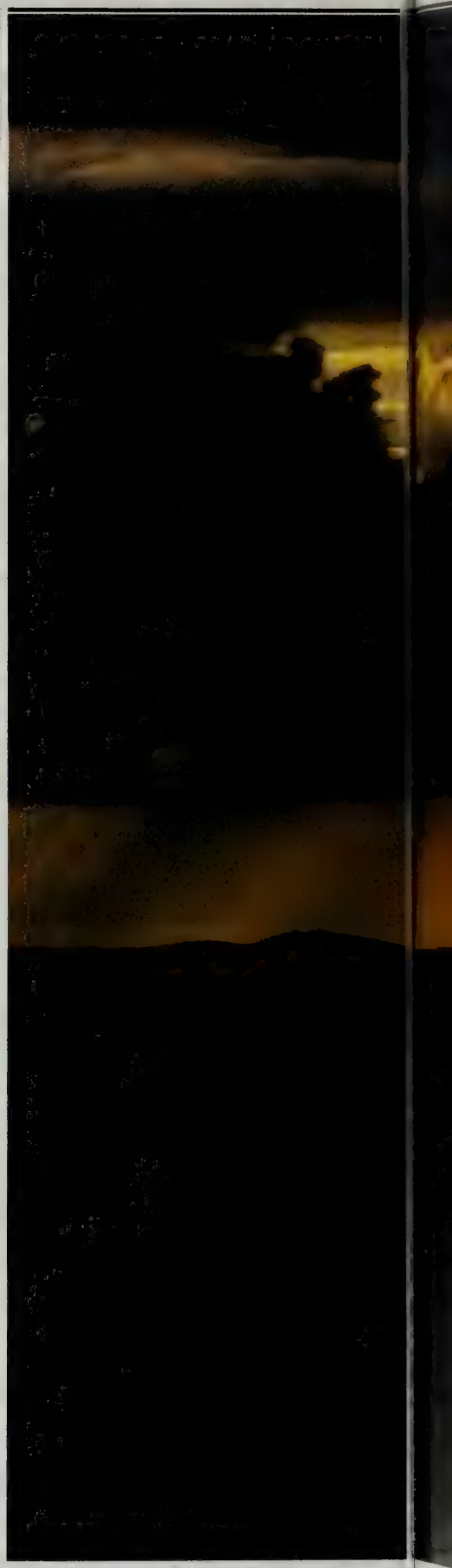
Descendants of those early settlers, members of the Robinson family, own that land still—some 100,000 acres—and it's now worth a half-billion dollars. But wealth wasn't what the Robinsons' ancestors had been looking for, and they have lived for over a century and a quarter as farmers, comfortably but not extravagantly, while the land under them grew in value. Then one day all that wealth attracted the tax collector.

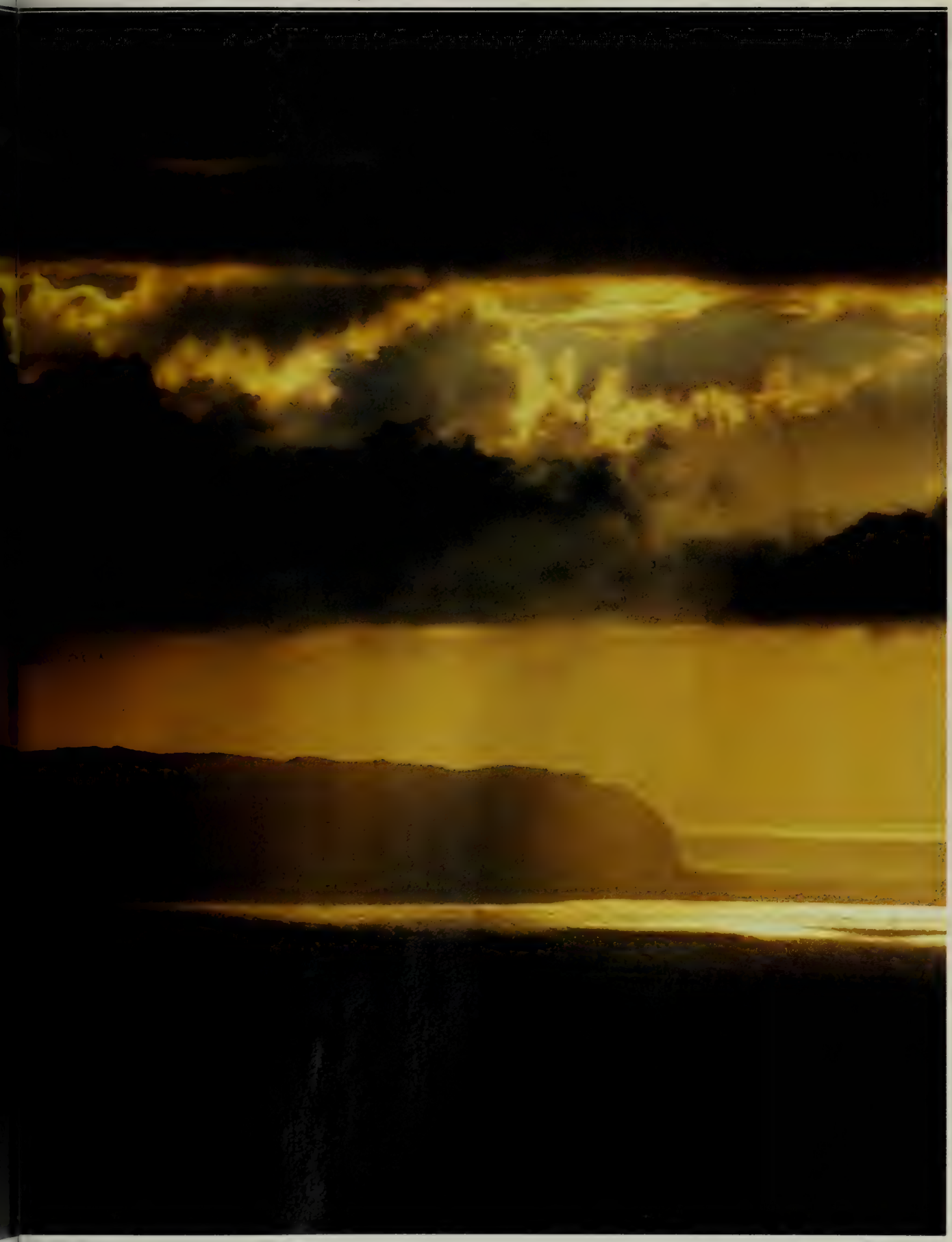
Niihau is little changed from when the family came. The island has 8,000 wild boar, 12,000 wild sheep and 1,600 cattle—plus 150 natives who still speak Hawaiian and make up the last pure Hawaiian community.



Miles of white-sand beach (above) on Niihau; Niihau's cliffs (right) seen from the Robinsons' land on Kauai

Bruce Robinson decides who visits.





Senior member of the clan is Warren Robinson, 66, a great-great-grandson of the first settler. He and his relatives stubbornly keep the outside world at bay. Warren's first cousin Bruce says no to anthropologists who want to study the local people. Speaking fluent Hawaiian and married to a Niihauan, Bruce Robinson, 52, is the sole judge of who may visit the island and live there. By long tradition, if a Niihauan marries a nonethnic Hawaiian, he forfeits his right to keep a home on the island.

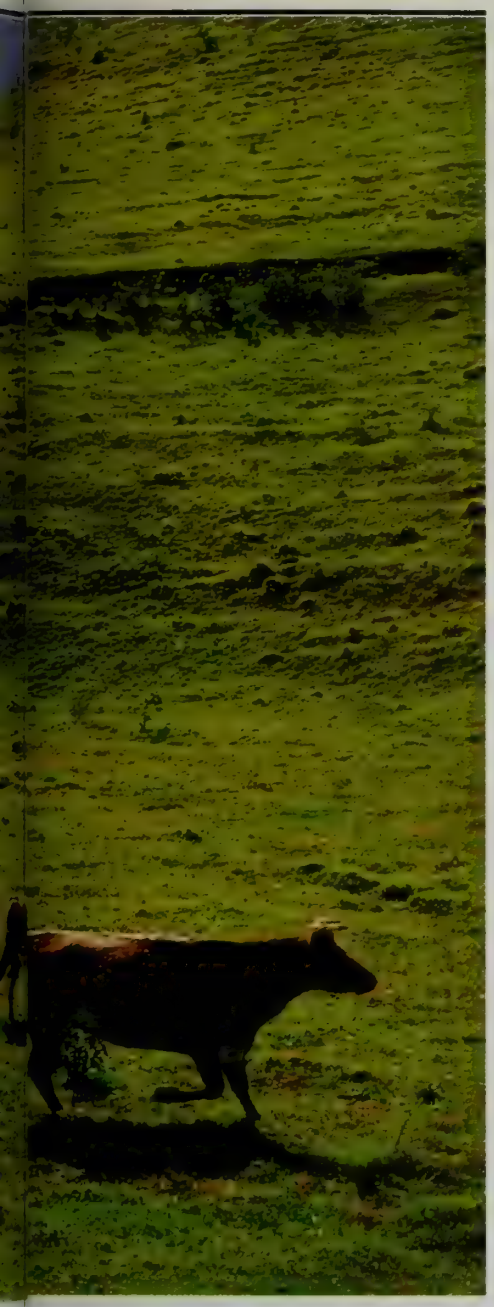
Most Niihauans do not mind this firm paternalism because it enables them to hang on to their old ways of life. But there are critics, like Niihauan Moses Keale, who has moved to Kauai: "You can live there comfortably," he says, "but it's like the old plantation days when the plantation owned everything. When I'm feeling sarcastic, I call it a fiefdom."

Fiefdom or not, the arid island is spectacularly beautiful: white-sand beaches framed by low, clumped kiawe trees. In the sea around the island swim schools of sharks and endangered monk seals.

The Robinson-owned portion of Kauai is equally beautiful and carefully preserved. Here live Bruce and Warren Robinson and some 20 relatives. The land is unmortgaged and held in partnership, with individual shares depending upon inheritance.

In the beauty of their estate the Robinsons are wealthy almost without peer. Their valleys are dotted with papaya trees and the ruins of centuries-old Hawaiian settlements. Lush canyons are streaked with waterfalls.

It is on Kauai that the Robinsons make their living. Mount Waialeale, just beyond the Robinsons' property, is the wettest place on earth; it receives nearly 500 inches of rain a year,



Some of the family's head of cattle on Kauai; Warren Robinson and his cowboys drive the herd

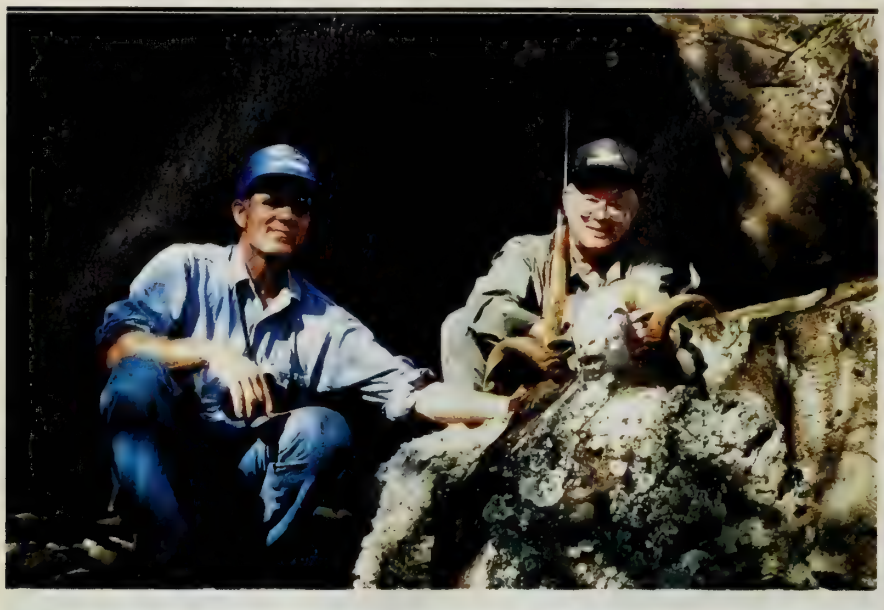
Cowboy before businessman, Warren Robinson ropes young bulls for branding.

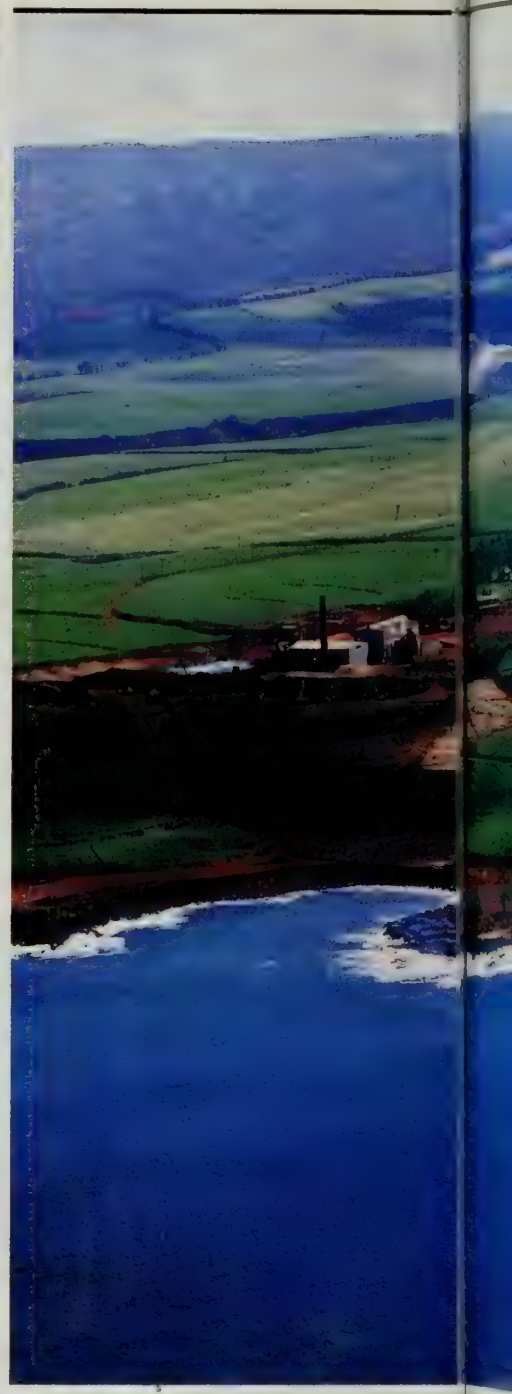
part of which flows into 100-year-old tunnels the Robinsons built to irrigate their sugarcane fields 3,300 feet below. Here a half-dozen Robinsons work the land, lending a hand with the crops and livestock, raising their cattle and tending their sugar plantation. "They are originals," says Michael D. Wilson, head of Hawaii's board of land and natural resources. "They do not identify with a pampered, modern suburban existence. They don't mind physical work."

From their homes you would never know you were visiting a clan worth a half-billion dollars. They maintain a sprawling complex of cabins 3,700 feet up the mountain in Kauai, accessible only by helicopter, by horse or a two-hour drive by all-terrain vehicle up a steep, twisted trail cut by a small tractor. The three rose-colored, wooden buildings are surrounded by wide porches.

An electrified wire encircles the perimeter of a thick lawn to keep out wild boar. "This is virgin Hawaiian rain forest," says Warren Robinson. Pinching and stripping the skin off a small maile branch, he shows a visitor the leafy piping: "They use this to make leis." Bruce Robinson's home, closer to sea level, is a modest one-story structure in the middle of a dusty sugarcane field.

But after more than a century of being held at bay, the outside world is impinging on the Robinson retreat in the threatening form of the tax collector. The Robinsons are land-rich but money-poor. Farming no longer generates enough money to support the





Bruce Robinson, (left), with William B.C. Hee, a Honolulu businessman, on safari on Niihau
The island is overrun with 8,000 wild boar.

estate. Another 20 or so Robinsons now live either in Honolulu or on the mainland, mostly working regular jobs like banking or accounting.

The Hawaiian sugar industry is depressed. Most of Hawaii's eight remaining sugar plantations have been losing money for years, owing to sugar prices that haven't risen in a decade. Three more Hawaiian plantations have plans to close in the next two years. The Robinson cane operation on Kauai, Gay & Robinson, lost an unusually high $4 million last year after acquiring the neighboring cane plantation, Olokele. The current two-year crop—to be harvested in 1996—should earn $1.7 million on revenues of $19 million.

Other income is equally modest. There's $231,000 from the U.S. Navy, which uses part of the 70-square-mile island for a radar test-site. There's maybe $85,000 from cattle sales, $67,000 from charcoal, $26,000 from sheep and $3,000 from honey.

All enough to feed the family's modest lifestyle, but not to satisfy that modern monster, the omnivorous government. When a family member dies, the Hawaiian government levies a death tax; in the case of Warren Robinson's father, the tax was about 19%. Another 55% in federal estate tax is levied on the balance.

"When a poorer branch of the family faces a multimillion-dollar tax bill, it places an enormous burden on the rest of the family to help them out,"

The Gay & Robinson cane operation
It provides some income, but not enough to pay the tax man.

says Warren Robinson.

"Living in paradise has a lot of thorns," adds Bruce Robinson. "We go out to dinner maybe three times a year. We can't afford it. We get our meat from the mountains."

There's an easy way out, of course, but not easy if you are a Robinson. Developers would happily bid for the right to build on even a few of the 100,000 acres. Five years ago it might have come to that. The family held meetings on Kauai to decide whether to sell parts of the property. Each family's influence was proportional to its holdings. "It was scary," Warren Robinson recalls. "The older generation didn't know what the younger generation was thinking." The oldsters needn't have worried. It was a unanimous no to development. "We feel we inherited the land and want to perpetuate it in as good a condition as possible," says Warren. "We don't want another Waikiki here."

But even in their unanimity the Robinsons did make a bow to reality. They decided to gradually open their land to the public for hiking in the rain forest, horseback riding and hunting.

And they have proceeded slowly. Bruce Robinson offers $1,400-a-day boar- and ram-hunting trips to Niihau by helicopter from Kauai, a 20-minute flight over the Kaulakahi Channel. However, the place isn't exactly swarming with visitors. So ambivalent are the Robinsons about having people on their land that Bruce Robinson relies almost solely on word-of-mouth to promote the hunting excursions; unless you know the name of the outfit—Niihau Safaris—you won't find a phone number. He gets only about four hunters a month.

The family also earned a handy piece of cash in 1992 by permitting Steven Spielberg to film an opening scene of *Jurassic Park* on Kauai.

The Robinsons realize they must do more if they are to pay the taxes. They want to build a resort. But forget about saunas and souvenir shops and tour buses. "We want to make this as un-hotel-like and uncommon as possible," says Warren Robinson, "so you'd be the guest of the Robinson family."

Guests would stay in a complex of 200 cabanas near Kapalawai, an ancestral home on Kauai, which is to be converted into a visitors center. The facilities will be open both to business meetings and vacationers.

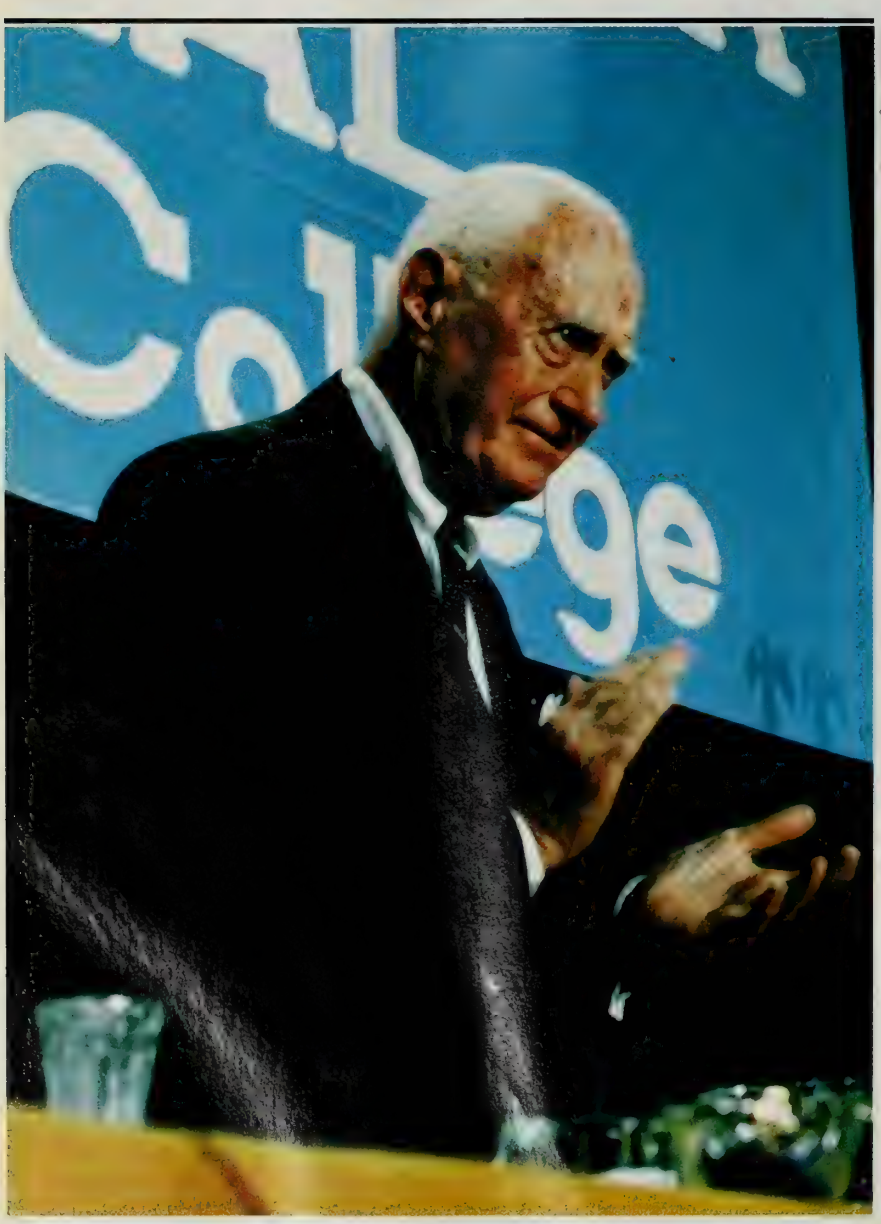
Where's the money coming from to develop the recreational facilities? Have you wondered why this very private family is talking to FORBES? The Robinsons figure it will require $50 million to build the complex for environmentally sound tourism. Where better than this magazine's affluent audience to look for partners? And for potential customers?

Warren Robinson has spent most of his life as a Hawaiian cowboy. He's still getting used to his new role as a business manager, but in his down-to-earth, disarmingly ingenuous way, he's quite a salesman. He says over and over about his family's property: "It's just like heaven."

If you've never heard of Fred Lennon, you've made this secretive billionaire happy. He works nearly as hard at anonymity as at getting rich.

Secrecy is success

By Randall Lane and Stephen S. Johnson



The Ronald Reagan Library

Fred A. Lennon
Shrewd and mysterious.

As a distributor for the Crawford Fitting Co. for three decades, Robert Evans sold over $50 million worth of pipe valves and fittings throughout the Pacific Northwest. Three years ago he was summoned to the company's Solon, Ohio headquarters for a meeting with Fred Lennon, the company's elderly chairman.

With his wife in tow, Evans flew out and was escorted into the boardroom. "Bob, you've enriched Crawford Fitting Co. a great deal over the last 34 years," Lennon said, tears welling up in his eyes. Lennon placed his hand on Evans' shoulder. Then he fired him.

For what? To encourage customers to buy Crawford products, Evans had been providing copper tubes to them at close to cost. It was a little extra service. But this act had violated one of Crawford's most rigid rules: Company policy forbids distributors from selling anything made by another manufacturer—no exceptions.

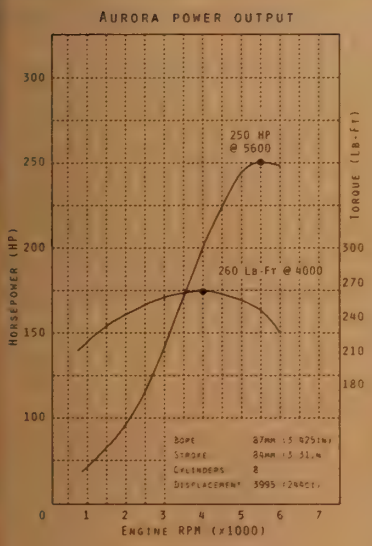
Strangely, Evans, who now sells products to the semiconductor industry, has no hard feelings. "I had other distributors trying to get me to sue them [Crawford], but I wouldn't do it," says Evans. "I love the man. He's like a father to me."

Fred Lennon inspires tenacious loyalty and bitter loathing after spending 48 years aggressively and ruthlessly building one of the most impressive money machines in American industry. Crawford Fitting has been a sole source supplier of tube fittings and valves to the Navy, and maintains big contracts with Du Pont and USX, as well as hundreds of other industrial concerns here and in some 40 foreign countries.

You never heard of the man? Nothing would please Fred Lennon more. To escape attention he lives in a secluded development in Hunting Valley, Ohio that posts signs warning outsiders to stay away. He lives a mile from public roads, in a modest house with an anonymous mailbox.

Perhaps to make himself more invisible, Lennon has broken his empire into dozens of separate firms *(see chart, p. 48)*. His factories are scattered across the U.S., and many don't

AUTOMOBILE COMPANIES TALK ABOUT HOW FAST THEIR CARS ARE FROM 0-60. WHEN'S THE LAST TIME YOU PASSED A CAR STARTING FROM 0?



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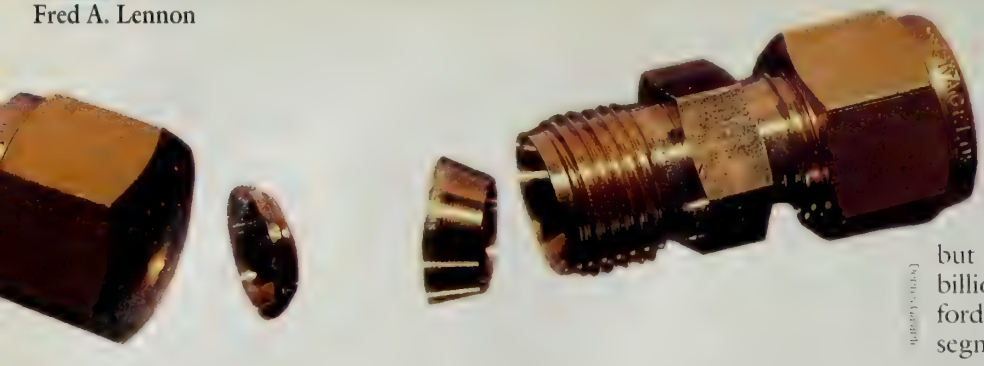


The "two-ferrule" Swagelok
The jewel of the fittings industry.

have signs. When Lennon buys a factory from another company, he sometimes leaves the old sign up as a decoy.

Paranoia? Perhaps, but paranoia seems to be corporate policy. Why attract competition? Why alert trade unions? The company's motto, a spokesman once explained: "Secrecy is success. Success is secrecy."

Lennon takes a leaf from underground political organizations. Managers are allowed to know only the performance of their own division. By numerous accounts, only a half-dozen people inside the company even know Crawford's overall sales.

Nevertheless, we've taken a stab at it: FORBES estimates the company has between $700 million and $1 billion in revenues (wholesale), and net profit margins of over 10%. The company has no debt. FORBES figures Lennon, who controls 70% of the firm (the other 30% was sold to its 2,500 or so employees in an ESOP five years ago), is conservatively worth $1 billion.

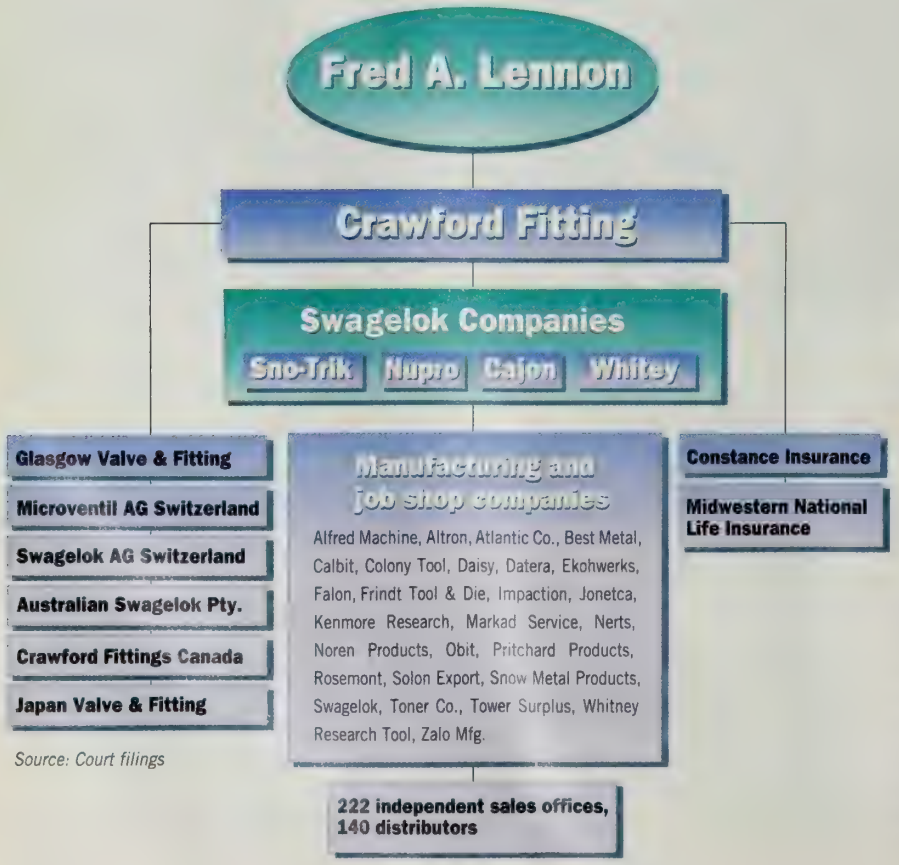
Fred Lennon turns 90 just after Thanksgiving, but he still goes into the office almost every day. He wouldn't talk to FORBES, of course. No one on Crawford's management team would comment, either. But after interviewing nearly 100 friends and observers, and pawing through mountains of documents, we've gotten a pretty clear picture of Lennon and his web of companies. What emerges is one of the great untold business stories of the 20th century.

Valves and fittings are big business but highly fragmented. It's a $70 billion industry worldwide, but Crawford competes in the most profitable segment. Lennon's Swagelok fittings connect tubing in astronaut space suits, nuclear power plants, oil pipelines—any industry where pressure and volume must be controlled in an absolutely precise fashion.

Lennon controls his sales force precisely as well, and it's that control, along with a top product, that fuels Lennon's wealth. "He doesn't give you orders," says Mel Martin, an early Lennon assistant, later his Cincinnati distributor for 30 years. "He just says, 'Why don't you think about this . . .' But you know that's an order. It's not just, 'Well, come back to me in a couple of weeks, and tell me what you think.' You just do it."

The heart of Crawford Fitting is its tight control over its distribution system, developed in part, Lennon has told associates, from observing the coaching staff of the Cleveland Browns football team. "You can't tell the players how to dress or how to do anything else," Lennon has said. "But you can sure tell them if they're going to play in the next game."

To make sure he retains the right to hire or fire at will, Lennon insists on a contract clause with his 140-odd dis-



Source: Court filings

Lennon's tangled web

The company's complex structure—buried in a decade-old tax case against the IRS—bears out Lennon's strategy. The complicated matrix keeps unions, competitors and the public guessing about Crawford's true size. The four main businesses are Whitey (ball and plug valves), Sno-Trik (high-pressure connectors), Nupro (high-pressure valves) and Cajon (adapter and seal fittings). The dozens of small job shops manufacture the valves and fittings. An added benefit: The managers feel more important knowing they run a company, not just a division.

tributors that stipulates he can fire them with or without cause on 60 days' notice. They must also—as Bob Evans learned to his cost—sell only Crawford products. Put these two clauses together and they give Lennon near absolute power over his theoretically independent distributors.

Lennon even tells the distributors how to dress (white shirts, dark ties and suits, absolutely no facial hair), whom they can sell to and even which politicians they will donate to. *(See box, p. 52.)* Of course, a distributor can say no. But then Lennon can tell him he can no longer play.

Evans, a loyal soldier, was given a fat noncompete payment as he was pushed out the door. Others are treated more curtly. "They want you completely beholden to them," says John Benz, fired as Pittsburgh rep after 27 years at Crawford for running a fittings installation business on the side. "If you make any attempts whatsoever to have any other business interests, they choke you off."

Loyalty, on the other hand, is richly rewarded. In essence, Crawford distributors are protected monopolies, forbidden from soliciting business in one another's territories. The company won't even accept national accounts, which would undermine its distributors: If the Navy wants tube fittings for its Norfolk, Va. shipyard, it orders from Norfolk-based Dibert Valve & Fitting, just as a boiler operator in Richmond does.

All distributors get a "suggested price list." Pity the distributor who breaks rank. Former distributors tell FORBES that deviating from the suggested price was not really an option.

Is this price-fixing, and is it legal? The Sherman Act requires that each Crawford distributor act independently, but Lennon's system has held up in court so far. A former distributor trying to sell Swagelok in Europe brought an antitrust action 14 years ago; he lost. The plaintiff, Richard Keeney, grumbles that Lennon, through his acquaintance with Chief Justice Warren Burger, got to the judge. An unlikely story, but an indication of how Lennon's subordinates are in awe of the man.

Crawford distributors are supposed to sell only to end-users, lest a secondary market be created. When product does sneak out, usually from contractors who buy too much and then dump to surplus dealers, Lennon's legal team goes into action. One reseller, Baton Rouge dealer Wiley Alexander, found himself shelling out $10,000 to defend himself against allegations of counterfeiting Swagelok and of misrepresenting himself as an authorized dealer. Alexander won. "It's a shame a company of that quality and size would stoop to the strong-arm tactics they attempted with me," he says.

Lennon will even go after his biggest customers if they cross him. When the Navy began buying fittings in the 1980s from Parker Hannifin to use with Crawford's Swagelok, Lennon sued the Navy, arguing that the two companies' parts aren't interchangeable. This time the Navy won.

Why do customers put up with these high-handed tactics? In good part because Lennon gives such excellent service. "Fred would stand on his head for a customer," says Larry Dietz, a former sales manager at one of Crawford's larger subsidiaries.

With an earnest demeanor, piercing steel-blue eyes and a powerful gift for remembering names, Fred Lennon is a natural salesman. He never went to college but garnered an understanding of heavy industry from his father, Patrick, a machine tool designer who moved the family from Providence, R.I. to Cleveland.

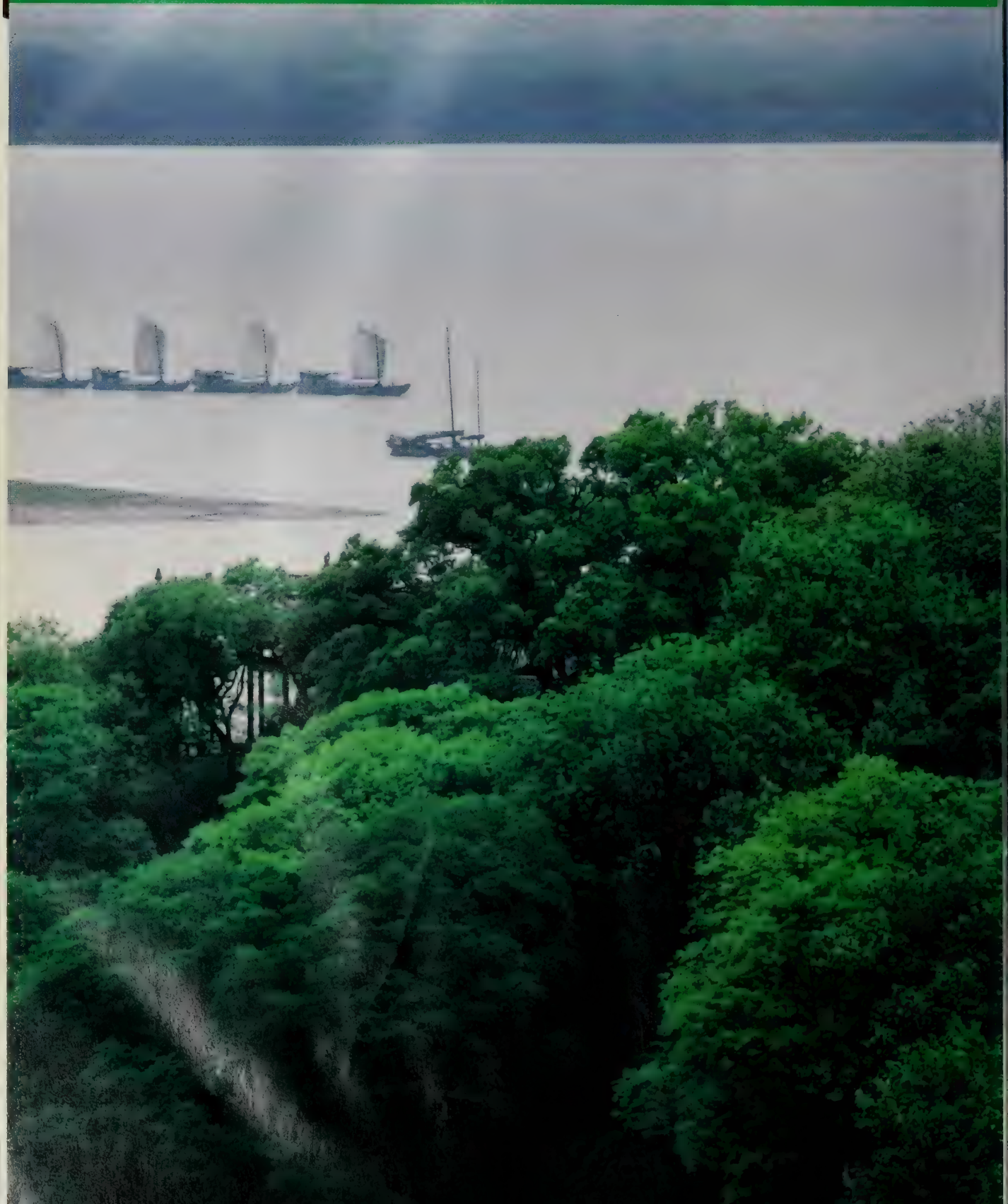
Associates say Lennon learned how to sell by peddling encyclopedias door-to-door. He learned about customer service from IBM: At 21, he wangled a job at IBM's Cleveland office. He left IBM in 1938 for Cleveland-based Office Machine Co., then moved to a company called Weldon Tool five years later. Though he was a

Photographs by Brian Cohen

Crawford's Solon, Ohio headquarters (top); three anonymous subsidiaries.

For all you know, there could be a Crawford factory near you.

Can you find American Standard in this picture? (Hint: Down the hall, 2nd door on the right.)



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Friends of Fred

EVERY TWO YEARS or so Fred Lennon's 80-odd domestic distributors can count on getting a call from the boss. The topic: which politicians get checks. "He'd tell you how much to give, too," says Larry Dietz, a former Knoxville distributor. Like Lennon's business directives, these donations are merely "suggested." Suggested? Former distributors laugh. "You knew what you had to do," says John Benz, the former Pittsburgh distributor. Lennon, a stalwart Republican, has the checks sent to him so he can track who's tardy.

Lennon ponies up his own money, too. Between May 1994 and May 1995 Lennon gave at least $435,000 to the Republican National Committee—more than any other individual during that period. Other campaign donations have gone to Pat Buchanan and Jesse Helms.

"In the political arena, everybody knows Fred Lennon," says U.S. Senator Michael DeWine (R–Ohio). "He has the ability to pick up the phone and call anyone. When Ronald Reagan was in the White House, he could get through to the President." Lennon was one of Reagan's earliest and most fervent backers. Lennon in part blamed himself for Reagan's failed 1976 bid. "He thought he could have worked harder and done more," says former Cincinnati distributor Mel Martin.

No surprise that Fred Lennon is well respected in conservative political circles. "He believes passionately in the free enterprise system," says Ohio Governor George Voinovich. "When he was born, they broke the mold." Says conservative gadfly Phyllis Schlafly, "He's just a great patriot."

In philanthropic circles, too, he is greatly respected. His Fred A. Lennon Foundation, funded by Crawford Fitting, handed out $17 million between 1989 and 1992, including $2.2 million in donations each to the Vatican Observatory Foundation and the Cleveland Clinic Foundation, a medical research fund.

Lennon's pet project is the Ashbrook Center for Public Affairs, which he helped establish in 1983 to actively promote traditional conservative values. It's as close as he gets to a public face.

President Reagan attended the center's inauguration, and George Bush, Margaret Thatcher and Newt Gingrich have visited. Schlafly and William Kristol sit on its board. The center, south of Cleveland at conservative Ashland University, was named after the late Congressman John Ashbrook, a close friend of Lennon's. Ashbrook reflected many of Lennon's own views. "He [Ashbrook] thought Richard Nixon was a liberal," says Charles Parton, the Ashbrook Center's director.

"Fred prefers not to be visible," Parton adds, "but he is proud of the center, so it's all right that the world hears about it."

–R.L. and S.S.J.

born salesman, Lennon's career was going nowhere and he was developing something of a reputation as a boozer. Not a promising prospect for a man approaching 40.

Suddenly luck walked in the door. Around 1946 Lennon met Cullen Crawford, an engineer at Parker Appliance, the predecessor to Parker Hannifin. Crawford had been spending his nights parked at his kitchen table, developing a fitting he dubbed a Swagelok. (To "swage" means to shape by applying pressure.)

Swagelok was definitely a better mousetrap, and Lennon quickly understood that. Before Swagelok, pipes and tubes were usually connected by flaring one end with a tool. Crawford's new method, using two free-floating rings, or "ferrules," that act as bearings, created a leakproof seal.

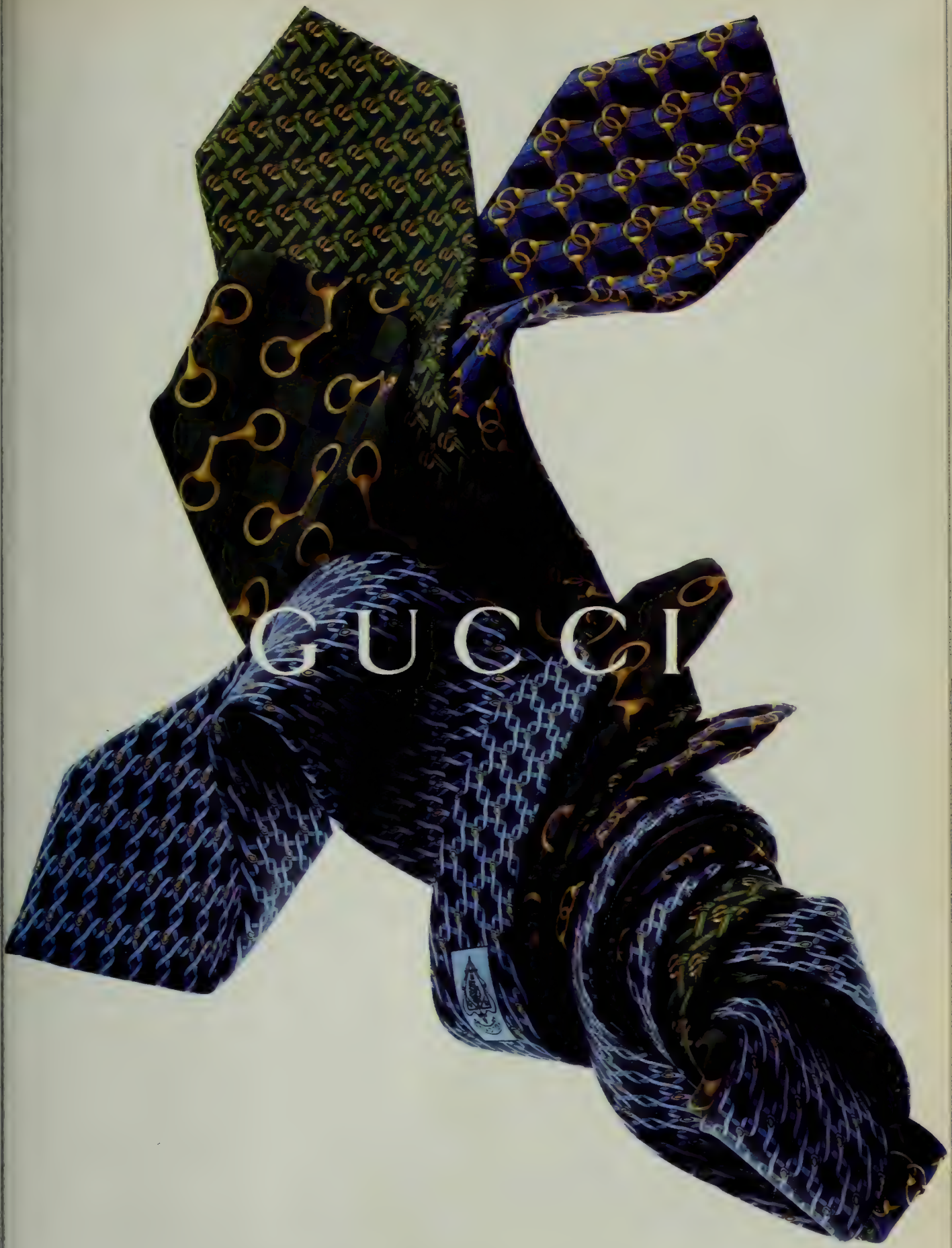
Crawford executives drive by a prospective employee's house to see if the lawn is trimmed and the car washed.

For industries where spillage means catastrophe, the Swagelok technology became essential. Fifty years later the Swagelok sold worldwide is basically the same as the one concocted in Crawford's kitchen.

Crawford needed help. He knew nothing about sales, which was Lennon's strength. But backing the invention required money. Where was Lennon to get it?

Legend has it that his wife's uncle, John McHannon, head of the Central National Bank, made Lennon an offer: He would stake him, but only if he stopped drinking. No one has seen Lennon drink since. When business protocol calls for alcohol, he slurps near beer or colored water.

Crawford and Lennon became equal partners, forming Crawford Fitting Co. in July 1947. The partnership lasted less than a year, however, as the two men butted heads. "They both wanted to have final say," says Crawford's daughter, Carole Hahl. Lennon made Crawford an offer: He would buy Crawford's stake for $2,000, even then not a fortune. But Crawford wasn't as shrewd as Lennon, and he took the offer. That deal



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ranks with the purchase of Manhattan Island for a bag of beads as one of the great bargains of all time.

Did Lennon feel any remorse for taking his onetime partner to the cleaners? Not that anyone ever noticed. In fact, the litigious Lennon sued Crawford when the inventor tried to set up a new fittings company called C.B. Crawford. Rather than fight, a disheartened Crawford, who died four years ago, renamed his new firm Tylok International.

Lennon lost no time cashing in. He had won some big contracts, including a job to help Du Pont supply equipment for the country's fledgling nuclear energy program. To get the valves made, he contracted jobs out to local shops but found inconsistent quality and unreliable delivery. So he bought a small plant in 1950 and began making his own Swageloks. He's done almost all his own manufacturing ever since. Occasionally, he'll contract out small jobs and, if he likes the work, he'll buy the company.

Lennon's 40 or so factories are legendary. Just as he's fanatically secretive, he's obsessively neat. Fellow Forbes Four Hundred member Richard Farmer, chairman of Cintas Corp., vividly remembers his first visit, as he watched workers wiping wheelbarrows spotless each time they dumped a load of oily metal chips. "I was just flabbergasted," he says. Cleanliness is also a major criterion in Lennon's hiring decisions. Crawford executives will drive by a prospective employee's house to see whether the lawn is trimmed and the car washed.

From the beginning, quality control was taken seriously. Every inspector, cleaner, assembler—even the machinist himself—has full authority to scrap a batch for any reason.

Almost from the start, Lennon had a quality product. But Swageloks cost around 25% more than competitors' fittings, and explaining to customers the superiority of a "two-ferrule" system back then wasn't quite as simple as showing a color TV next to a black-and-white.

So Lennon, the master salesman, sought to create a brand name. On early sales calls, Lennon would carry a purple jeweler's cloth, laying it out on a customer's desk to display the shiny Swageloks. Lennon treated each fitting like the Hope diamond, daintily lifting it with two fingers.

Then came the demonstration. Recalls Joseph Bertram, Lennon's first distributor in the Northeast: "He would have a way of turning a wrench, so that when he tightened it, he wouldn't take little quarter turns. He would take one full turn while looking at you, smiling, saying 'That is how easy it is.' He was a perfectionist at demonstrating how it would work."

As the company grew, Fred Lennon couldn't sell all the fittings himself. He hired distributors like Bertram, who added Swageloks to valves and fittings lines they already pushed. But using independent reps irritated Lennon, so he began tightening control. He distributed a canned script for the reps to follow, demanded approval of every advertisement placed in trade journals, rejecting ads even if they were slightly off-center.

Cullen B. Crawford, inventor of the Swagelok
He sold a $500 million stake for $2,000.

As his business thrived and his distribution system became powerful, Lennon began adding product lines. Throughout the 1950s and 1960s, Lennon added related companies, notably the Whitey Valve Co. Dozens of new products—valves for nuclear plants, fittings for vacuum products, etc.—were developed from within, courtesy of a steady stream of engineers hired from Case Western Reserve. Dubbed the "Whiz Kids," the core group of a half-dozen or so began developing new Swagelok variations at a special foundry. The Whiz Kids' ideas were executed by literally hundreds of skilled Hungarians hired by Lennon after the 1956 revolution. The product list surged into the thousands, and numbers about 6,000 today.

In the days before Federal Express, Lennon understood that prompt delivery was essential to his industrial clients and responded by requiring that his distributors carry huge inventories. Traditionally, at least 90% of standard orders are filled the same day. To ensure this quick response, he set up four regional U.S. warehouses.

Over the last 20 years most of the company's growth has come internationally. The fittings business, still dominated by U.S. companies, is growing 10% a year in Asia. Lennon told Farmer that up to 25% of Crawford's sales come from Japan alone. He has numerous sales offices in China and Singapore, too. Unlike in the U.S., the company owns many of its foreign distributorships.

What happens when soon-to-be-90 Fred Lennon stops coming to work? The company will most likely remain in the family, since the ESOP Lennon set up some five years ago enables him to cash out 30% of the company tax-free, giving the family a nice reserve against estate taxes. But succession is less certain.

Fred's top lieutenant is another secretive fellow, Francis Joseph Callahan, a nephew by marriage who was Jimmy Carter's classmate at Annapolis. They both served under Admiral Hyman Rickover, pioneer of the Navy's nuclear program. Callahan joined his uncle in the late 1950s and has served as the company's president for more than a decade.

But Callahan is 72. Beyond him, who? Fred Lennon's son, John, has never had a close relationship with his dad and is content to run the Cleveland distributorship. Stakes in some of the endless subsidiaries have been passed to Lennon's daughter, Catherine Lozick, whose husband Ed is a trusted Lennon lieutenant, and to Joe Callahan. Others point to Ernest Mansour, the company's lawyer.

But maybe nobody knows what is in Fred Lennon's mind and in his will. It would be just like him to keep secrets, even from his own family. ■

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Asplundh Tree Expert is an extraordinary business. It practically invented "outsourcing" and has remained a family business for three generations by practicing a disciplined form of nepotism.

Let Asplundh do it

By Randall Lane

"YOU'VE GOTTA BE KIDDING!" laughs Christopher Asplundh when a FORBES reporter requests an interview. "Who the heck's gonna be interested in a bunch of tree-trimmers?"

We are, for one, and we think a lot of our readers will be, too, for Asplundh Tree Expert Co. is an extraordinary company. Headquartered in Willow Grove, Pa., this $900 million (revenues) outfit is essentially owned by 132 shareholders, all of whom are members of the Asplundh family—as are all the board members.

Even the name is redolent of things arboreal: Asplundh in Swedish means "aspen grove." The business is conservatively valued at $500 million, but may well be worth as much as $700 million.

Just a bunch of tree-trimmers? Asplundh's customers include over 250 telephone and electric utility companies in 50 states and eight foreign countries, all of whom require trees to be trimmed in enormous volume. About 60% of Asplundh's sales come from trimming trees near these customers' lines, the rest from such services as maintaining telephone poles, clearing rights-of-way and installing underground lines.

Asplundh Tree's founders would not have known the term, but they were pioneers in what is now called "outsourcing." Most of these companies could hire their own tree-trimming staffs, but Asplundh does it for them cheaper and better.

This unconventional business was founded by three brothers: Griffith, Carl and Lester Asplundh, who got into tree-trimming to finance their educations after their Swedish immigrant father died.

Griffith majored in forestry at Penn State, Carl studied finance at the University of Pennsylvania's Wharton School and Lester was a football star at Swarthmore while learning electrical engineering.

The boys decided to go into business for themselves, and what they knew best was—tree-trimming. In 1928 they borrowed $2,500 from a local bank and formed Asplundh Tree Expert. Griff oversaw the trimming; Carl minded the books; Les provided technical expertise and research and development.

Early on the Asplundh boys focused: Tree-trimming for residential customers was a good business but crowded. The three Asplundh brothers concentrated on business customers, clearing tree branches away from the overhead lines of the fast-growing electric and telephone companies. Their first contract was to trim 500 trees for Pennsylvania Power & Light. "The electric companies will always pay their bills," bookkeeper Carl Asplundh would say. "Mrs. Jones might not."

Mrs. Jones pulled in her belt during the 1930s Depression, but the electric and telephone industries continued to expand. Equipped with what was then the latest technology—hand-cranked aerial platforms and early-model chainsaws developed by brother Les—by 1936 the company had added customers as far south as South Carolina, as far west as Illinois.

The last of the second generation: Carl Asplundh Jr. (on ladder), Paul Asplundh (top) and President Chris Asplundh (foreground) **Proving the old saying wrong—money does grow on trees.**

Steve Sloot

After World War II Asplundh invented the first wood chipper, which made clearing areas faster and easier.

The first union for Asplundh workers was organized in 1951. In the glory days of trade unionism in the 1960s and 1970s, the labor situation periodically turned nasty, and there was rock-throwing violence.

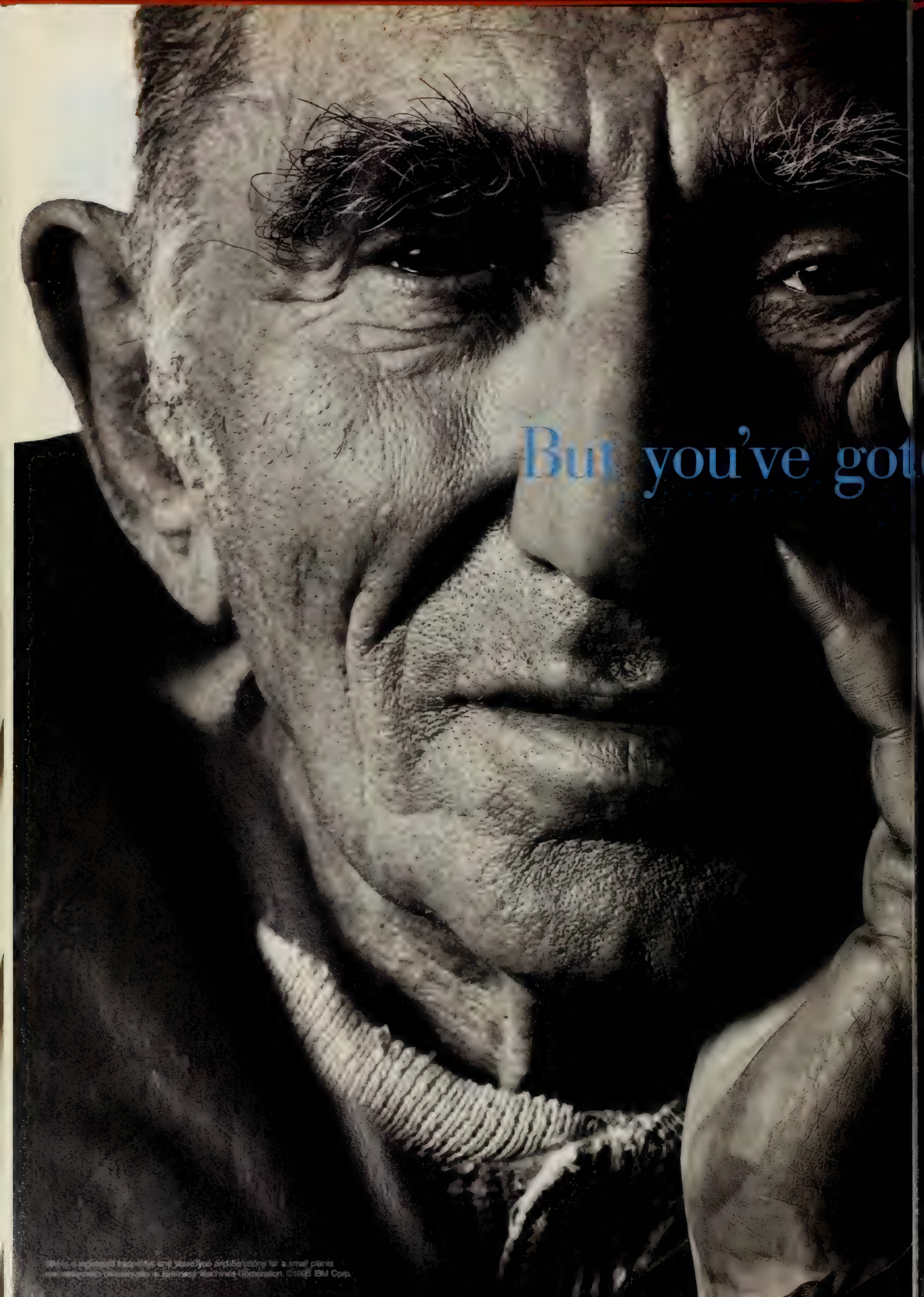
When employees struck at the company's equipment manufacturing plant in 1984, the company shut it down and moved the division to

North Carolina. It was subsequently sold. Today unions represent just 20% of Asplundh's almost 20,000 employees, down from a peak of 50% in 1970.

By 1968 the founding brothers were retired or dead, and a second generation had taken over. Barr Asplundh, Griff's son, was elected president, and seven brothers and cousins were on the board of directors. Edward Asplundh, Carl's son, followed him in 1982. Chris Asplundh, the youngest of the second generation, took over in 1992, with nine members of the third generation serving in key roles.

As the third generation has moved up the ranks, the company has had its greatest growth, with revenues swelling from just $100 million in 1984 to this year's $900 million. Over this period, Asplundh expanded its client base and line of services. Asplundh also grew through acquisition, notably the 1992 purchase of $100 million (sales) competitor Sepco. All this time it didn't neglect its old clients: Four of the company's first five customers have contracted with Asplundh continuously since its inception; 20 more utilities have been customers for the past 50 years.

After estate taxes, a family company's most lethal enemy is family squabbling over the wealth piled up by previous generations. The Asplundh way of avoiding this kind of discord is as creative as it is effective. They call it the "sponsor system." The 16 Asplundhs at the company, even the president, oversee (sponsor) regions of the company. No cushy spots in personnel or marketing. If you don't manage a profit center,



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Third-generation Asplundhs

The name is no guarantee. In the past ten years three family members haven't made it through the training program.

then you don't work at Asplundh. Says Chris Asplundh: "No one is above failure and success."

This is unabashed nepotism, because only an Asplundh can become a sponsor, but it is highly disciplined nepotism, too. An Asplundh who wants to work for the company must first finish college, then must do something else for three years before applying for a position. He (there are no shes) can spend those three years working for somebody else, traveling or working for an advanced degree. Then the aspirant must get recommendations from three family members, at least one of whom must be a board member.

The successful aspirant still doesn't have it made. There follows a tough eight-year training program. Does everyone pass it? No way. Three Asplundhs have dropped out or been asked to leave the training program in the past decade.

Brent Asplundh's experience is typical. The 34-year-old nephew of Chris Asplundh started working for the company as a tree-trimmer servicing Philadelphia Electric Co.'s lines. He then supervised Asplundh crews in Delaware and Tampa, Fla. After four years he was sent to oversee 200 workers in East Texas, before returning to Delaware as manager of a 300-employee division.

Upon graduation from the training program in 1992, Brent moved to Asplundh's Willow Grove headquarters, where he's now a sponsor for seven regions, including New York City and northern California. "The company is extremely demanding," says Brent Asplundh. "If you don't want to do it, then this isn't the place to be."

That's one reason barely one in ten of the shareholders work for the company. Other family members who have inherited the stock are simply passive investors (just under 20% of the company is technically owned by employees, but it's more like a pension, because workers must

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The company's founders: Griff, Carl and Les Asplundh
Their heirs still serve four of the first five customers.

sell back their stock at book value upon leaving the company).

To say that this is a tough business is an understatement. Asplundh has almost 20,000 employees and hundreds of accounts. One felled branch can knock out electric and phone service for tens of thousands of utility customers, all of whom get hopping mad at any service interruptions. Too many such mishaps and the utility company will look elsewhere for its tree service.

It is when a storm disrupts service that Asplundh really shines. No utility company could afford to keep standby crews for such occasional emergencies, but Asplundh can simply shift armies of tree workers to any trouble spot. Over 7,000 Asplundh workers were deployed from East Texas to Delaware to repair lines damaged by the northeastern ice storms in February 1994. After Hurricane Andrew hit Florida in 1992, Asplundh sent 3,000 workers from relatively peaceful regions to restore service.

Thus the company monitors every storm in the country from a weather center at the Willow Grove headquarters. "Santa Ana winds in California, that's our problem," says Chris Asplundh. "Nor'easter in Boston, that's our problem; ice storm in Minnesota, that's our problem."

The fourth generation of Asplundhs is just beginning to enter college; there are 65 of them. How much longer can the company maintain its unique and highly successful nepotism? Under the sponsorship system, only a few will get jobs at the company. Some younger family members currently receive less than $10,000 a year in dividends. Most of the earnings, estimated at $36 million this year, get plowed back into the business. Because of the generous plowback, the family does not have to go outside for capital and the company has no long-term debt. But if a shareholder wants to cash out, the only likely buyer is Asplundh Tree, and the company pays only conservatively stated book value. Being an Asplundh certainly is no guarantee of affluence.

To maximize the opportunities for family members, Chris Asplundh is seeking to expand the business by adding new services. As telephone companies have shifted from aboveground phone lines to underground fiber-optic cable, Asplundh has offered to install the new cables, and is already billing $30 million a year in line installation. Electric companies now can hire Asplundh employees to read meters. Asplundh helicopters equipped with infrared cameras can detect heat buildups in power lines, thus signaling that a line failure is imminent.

Benefiting from the pressure on politicians to make tax dollars work harder, Asplundh has begun to get a lot of business from municipalities, too. It coordinates traffic-light sequences in Philadelphia, for example, and trims the trees in New York's Central Park.

All told, Asplundh Tree's revenues from services other than tree-trimming will come to around $400 million this year, up from $42 million a decade ago. They're likely to keep growing rapidly as newly deregulated telephone and electric companies search for ways to cut costs.

"If the electric and telephone companies are looking to outsource something," says Chris Asplundh, "then we are looking to provide that service."

Wouldn't it be simpler just to go public and be like most other businesses? "Then we'd just have money," Chris Asplundh responds. "That isn't what this family is about."

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The piranha is not a cuddly animal, but take it from Oprah Winfrey: You need a touch of it if you want to get truly rich.

"Piranha is good"

By Robert La Franco with Josh McHugh

James Schnepf

Jeffrey Jacobs (left) and Oprah Winfrey
"He took the ceiling off my brain," she says.

IN THE SUMMER OF 1984 Oprah Winfrey was riding high. She was already Chicago's most popular TV talk show personality, having just knocked Phil Donahue off his throne. WLS-TV, the local ABC affiliate that produced her show, was paying Winfrey $230,000 a year, and her longtime agent had negotiated a four-year contract with annual salary hikes of $30,000.

As she tells it, she was pleased at first but then began having second thoughts. "Three separate [ABC] people stopped me to tell me what a great guy my agent was," Winfrey recalls, "and that didn't make sense to me." Why were people going out of their way to praise the fellow? Winfrey's natural skepticism was aroused. She sacked the agent.

She replaced him with a Chicago lawyer named Jeffrey Jacobs. "I'd heard Jeff is a piranha," she says of her choice. "I like that. Piranha is good."

That key decision turned Winfrey from employee to capitalist and vault-

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ed her out of the ranks of the merely well-paid into The Forbes Four Hundred. Her show now airs on more than 200 stations in the U.S. and in 117 foreign countries, and earns Winfrey more than $70 million a year before taxes.

But it's ownership that has made her rich. Thanks to her new agent, Winfrey owns not only the program but also the studios in which it is produced, and a big stake in King World Productions, the company that distributes the show. Her net worth is now estimated by FORBES at over $340 million. Winfrey is the only performer on the list this year. Such is Winfrey's importance to King World that the mere rumor she might discontinue the show, printed in the *Wall Street Journal,* hurt King World's publicly traded stock.

What made Winfrey kick over the traces of her old agent and her seemingly lucrative contract? "I had to get rid of that slave mentality," she says. "That's where Jeff came in. He took the ceiling off my brain."

Winfrey's previous agent had given the local ABC station the rights to syndicate the *Oprah* show. No surprise that Winfrey gave them up. Her first syndication attempt—her earlier show, *People Are Talking,* on WJZ-TV in Baltimore—made it to only 13 cities before it was pulled. But Jacobs sensed he could do better with Winfrey's new *AM Chicago* show and started looking for ways to retrieve her syndication rights. In 1985 he asked WLS if he could take *AM Chicago,* renamed *The Oprah Winfrey Show* that year, to the independent market. The bosses at ABC let Jacobs peddle the show outside the Chicago market as long as ABC stations got first crack. Prohibited by law from syndicating, ABC had nothing to lose and something to gain. Once ABC agreed, Jacobs brought in King World Productions as distributor.

Winfrey then got a break: She was picked to star in the film *The Color Purple.* When her talk show went back on the air in the fall of 1986, she was a bona fide Hollywood celebrity. Ratings for her talk show climbed rapidly.

With King World Productions selling it hard, Winfrey's show earned $115 million in revenues during its first two seasons. Jacobs returned to the bargaining table, wresting ownership of the *Oprah* program from WLS, having already extracted a heavy cut of the show's profits from distributor King World.

Last year *The Oprah Winfrey Show* took in $196 million in gross proceeds, against production costs of about $30 million. Her production company Harpo—Oprah spelled backwards—grossed close to $100 million. Agent Jacobs' cut was 10%—nearly $10 million last year—and after deducting Jacobs' share and other expenses, Winfrey earned about $74 million pretax last year, up from about $72 million the year before.

Everett Collection

Oprah as Sofia in 1985's "The Color Purple"
Her role added value to the Oprah brand name.

So strong is the Winfrey franchise that in the last round of negotiating Jacobs convinced King World to take a shrinking percentage of the show's revenues for distribution. Currently Harpo gives up about 35% of gross revenues to the distributor, but over the next five years that will drop to 30% or less.

Local stations are willing to pay top dollar for the *Oprah* show because it assembles an audience that tends to stay tuned to the same channel for the evening news. In a market the size of Houston or Atlanta, one rating point can mean about $1 million a year. The news programs that follow *Oprah* are predictably the highest rated in most markets. "Without *Oprah,* you're just scrambling," says Terry Connelly, general manager of WJLA-TV in Washington, D.C., which beat station WUSA-TV in 1989 bidding for *Oprah* with an offer to pay about $90,000 a week. Today it pays around $100,000.

The cash is likely to keep flowing. Last year King World, now heavily dependent on Winfrey, sold her show to 210 stations, which agreed to carry the program for the next five years and pay a 3%-to-5% increase every year of the deal. The stations will also give up an additional minute of advertising time; King World and Harpo will share the ad revenues that the minute generates. A conservative estimate of Harpo's five-year cash flow from the deal is $400 million. Every year Winfrey renews with King World she receives options on 250,000 King World shares to add to the 1.5 million she already has under option. Those options, at various strike prices, are now worth over $30 million to Winfrey.

If she stays popular and with the show, Winfrey is well on her way to becoming America's first black billionaire.

Next step: the movie business. Like many successful business people, Winfrey has the Hollywood bug. A few years ago she hired the Creative Artists Agency as her film agent and subsequently set up her own West Coast office to consider movie roles. But she hasn't liked any of the offers. "All of them were nobody-knows-the-trouble-I've-seen roles," laments Winfrey. "Could I play another heart-torn mother with her socks rolled down who lost her family?"

While her acting career is on hold, Winfrey wants to become a top Hollywood producer. She already owns three soundstages, where she has filmed her own features. She has ten movie projects under development; none are yet in production. Winfrey recently won a commitment from ABC to fund six TV films over the next three years, to be presented under the Oprah Winfrey Presents banner.

Remembering her close call with becoming just another high-paid celebrity, Winfrey tells FORBES: "On my own I will just create, and if it works, it works, and if it doesn't, I'll create something else. I don't have any limitations on what I think I could do or be."

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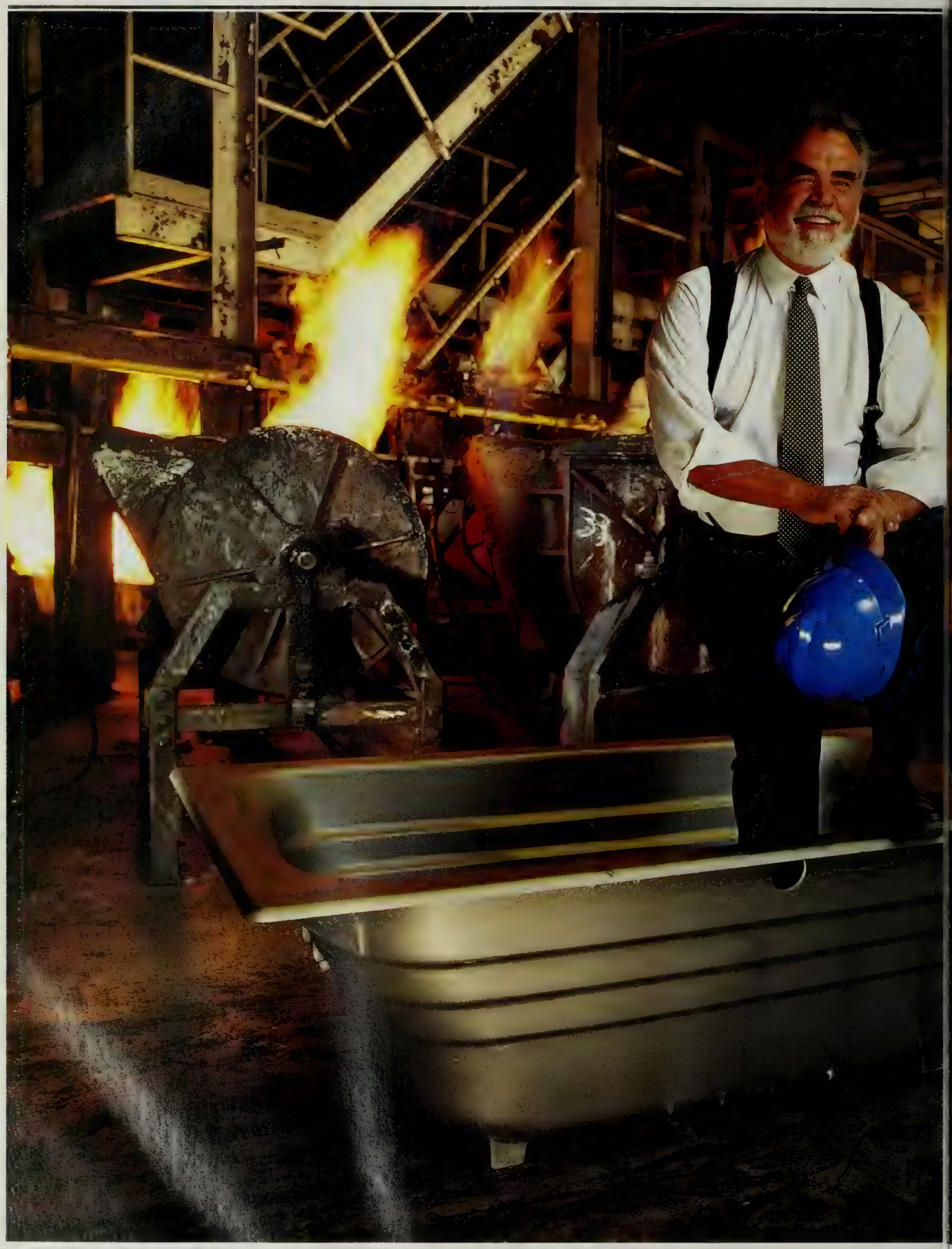

Why did Kohler Co. grow when its longtime competitors shriveled? Because its four generations of family ownership enabled it to take the long view.

Generational investor

By Gary Samuels

A LITTLE OVER a century ago an Austrian immigrant named John Michael Kohler hit on the bright idea of enameling cast-iron horse troughs and selling them to midwestern farmers as bathtubs. Today the Kohler Co. is the undisputed king of the American bathroom. With sales last year of $1.8 billion and net earnings of $67 million, it long ago surpassed rivals American Standard, Crane Co. and Eljer Industries in bathroom fixtures. Kohler also produces fine furniture, engines and generators, and develops real estate.

What makes Kohler unique, however, is not its success but its ownership. Not so incidentally, Kohler is still privately owned. One hundred twenty-two years and three generations of Kohlers later, John Michael Kohler's direct descendants still own and run the business, still live in Kohler, Wis. (pop. 1,920) and share a fortune estimated by FORBES at a shade under $1 billion.

Herbert Kohler Jr.

American Standard got out of cast-iron tubs; Kohler got in deeper.

Kohler is interesting for another reason, too: Far from suffering from lack of outside capital, Kohler Co. probably owes its success to having remained a family company. From the beginning the Kohlers have listened to their own muse and reinvested in the business even at times when other pastures might have looked greeener. It wasn't just their capital that was at stake. It was their heritage.

In 1927 bathroom fixtures came in one basic color: antiseptic white. Walter Kohler, the founder's son (and Wisconsin's governor from 1929 to 1931), thought, Why not colors, which could be coordinated in a bathroom suite? Until then, nobody had been able to produce uniform colors for both vitreous china (sinks and toilets) and enameled cast-iron (tubs).

Bathroom fixtures as fashion items? It seemed outlandish—bathrooms were for utility, not for display. But Walter Kohler had anticipated the American love affair with the bathroom. Two years later New York's Metropolitan Museum of Art featured Kohler fixtures in a display demonstrating the profitable interplay between industry and art.

Walter Kohler had the stubborn idea that people who worked for him should share in his prosperity. He lived in pleasant surroundings, and they should, too. In 1917 he hired the Olmsted Brothers firm, which designed New York City's Central Park, to draw up a 50-year plan for the Village of Kohler, which the Olmsteds created 4 miles west of neighboring Sheboygan. Sixty years later, in 1977, Herbert Kohler Jr. commissioned the Frank Lloyd Wright Foundation to come up with a new plan.

Robert Milbourne is an economist and former vice president for strategic planning at Kohler Co. who now runs the Greater Milwaukee Committee. Milbourne explains Kohler's investment philosophy:

"Kohler is in a position to view [its spending] as 'generational investments,' where the concept of a five- or ten-year depreciation is not necessary," says Milbourne. "They can look at these as 30-year or 50-year investments because of the [private] nature of the company. That has made a huge difference. [Current patriarch] Herb Kohler views these investments as ones that in effect leave a legacy for the name Kohler."

When Walter Kohler died in 1940, his younger half brother, Herbert Kohler Sr., took over and ran the outfit until his death in 1968. His Yale-educated son, Herbert Kohler Jr., took over in 1972.

Herb Jr. took over at a critical juncture.

Control seemed to be slipping from Kohler family hands as control had slipped from so many other founding families. When Herb Jr.'s father died, Kohler Co. had 161,105 shares of stock outstanding spread over nearly 400 stockholders, most but not all family members or former employees. One relative had pledged a block of shares as collateral on a loan, then defaulted. The creditor turned out to be a unit of ITT Corp., which was rumored to covet Kohler. And there were some public debentures outstanding, floated to fund an urgently needed upgrade for Kohler's cast-iron foundry. Suddenly, Kohler had to file public financial reports.

Herb Jr. took decisive action. To reduce the number of shareholders, he declared a 1-for-20 reverse stock split. Those with fractional shares had two choices: Sell his or her stock back to the company, which retired the repurchased shares; or come up with the cash needed to round up to a full share. With the post-split stock priced at around $8,200 a share in 1979, most fractional holders opted to sell. Herb Kohler thus reduced the number of shareholders from over 400 to around 250, while increasing his own ownership position by retiring stock tendered to the company. ITT challenged the split in court, and lost. Kohler paid off the public debentures, too, eliminating the hassle of public financial disclosure.

As of now Herb Kohler and his immediate family own 96% of Kohler Co.'s voting shares. If minority holders object to such policies as his steadfast refusal to raise the dividend payout rate above 10% of aftertax earnings (the stock's current dividend yield is just 1%), they can sell back their stock. Herb Kohler almost dares them to sell it back when he tells FORBES during a rare interview: "If you had bought [Kohler Co.] shares in the 1970s, you would have easily outperformed the S&P or the Dow." Some Kohler stock recently changed hands at $102,500 a share, a twelvefold increase since 1979. "A good return," notes Kohler.

With control firmly in his hands, Herb Kohler continued reinvesting heavily in the business.

By the early 1970s most competitors had come to the conclusion that cast-iron tubs and sinks were passé. They began replacing their cast-iron products with lighter-weight, cheaper-to-make acrylic fixtures. Competitors also diversified into businesses far removed from the bathroom, and took on big loads of debt. American Standard pulled the last plug on its cast-iron manufacturing in the U.S. four years ago. Crane Co. is almost out of the bathroom business.

Photographs by Ronald M. Overright

The American Club hotel (top) and one of two golf courses at Blackwolf Run

The conventional wisdom was wrong.

Herb Kohler went the other way, financing growth out of retained cash flow and remaining committed to the bathroom. Starting in 1972, when he took over as chairman, Kohler invested tens of millions of dollars to overhaul Kohler Co.'s ancient coal-fired cast-iron foundry. First, he replaced it with a more efficient process called electric melt. In the mid-1980s he invested in robots to automate the operation that puts enamel on the cast-iron tubs.

American Standard and Crane bet wrong. Today Kohler continues to sell huge volumes of cast-iron tubs quite profitably, as well as fiberglass tubs made of acrylics, and steel tubs made in Italy. "The cast-iron bathtub remains the best, most durable product that one can buy," says Kohler. "If you are able to process the material inexpensively, as we can do because we invested over a long period of time in process technology, you can create different shapes and durable enamel finishes that keep their luster longer than with any other material."

New products poured forth, too. In the 1970s there was the Environment, a horizontal two-person enclosure with remote control that showered its occupants with artificial sun, rain, wind and steam. A more recent example is the Kohler Peacekeeper, a toilet that doesn't flush until the seat is closed.

A heavy user of glossy magazine ad pages, Herb Kohler refined and expanded the successful "Bold Look of Kohler" ad campaign begun by his father in the 1960s. A current Kohler ad running in *Architectural Digest* and other shelter books features arty photographs of nude models showering in Kohler's new BodySpa, a kind of vertical whirlpool with five pairs of pulsating jets built into a wall.

"You never see a bar of soap in Kohler's ads," says competitor Alan Lougee, of Chicago Faucet Co. "They are saying bathroom is fashion and fun."

Herb Kohler became an active acquirer of other bathroom-related businesses. He combined five plumbing fixtures makers into the low-priced Sterling Plumbing brand. If independent, Sterling would now be the third-largest full-line plumbing manufacturer in the U.S. Other Kohler purchases have included Ann Sacks Tile & Stone and Kallista, a manufacturer of expensive and trendy bathroom faucets and fixtures, like $30,000 copper French soaking tubs.

Kohler only recently began to push overseas. Starting in the late 1980s Kohler has bought several European plumbing fixtures makers and wholesalers. He is currently negotiating sev-

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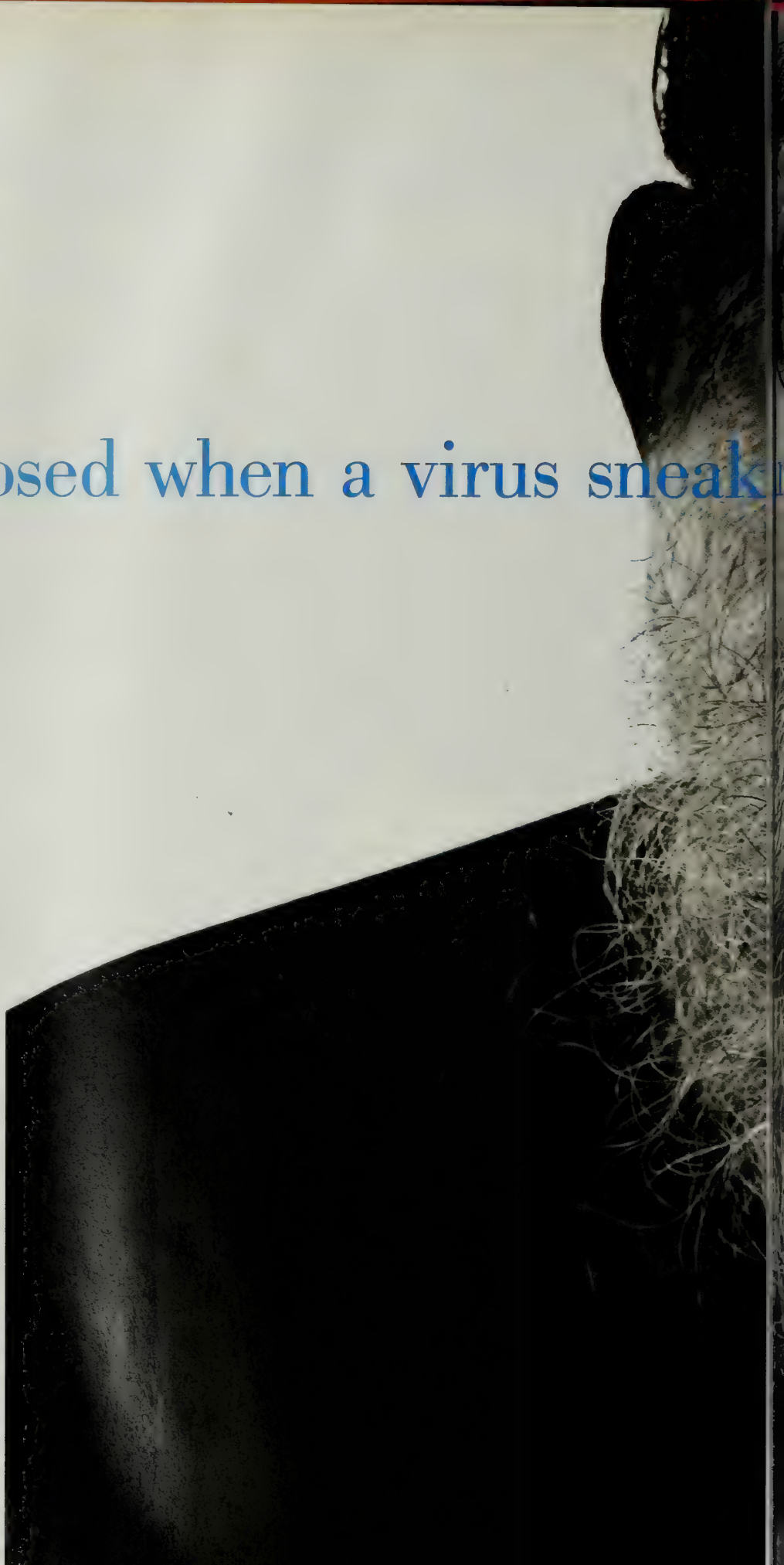

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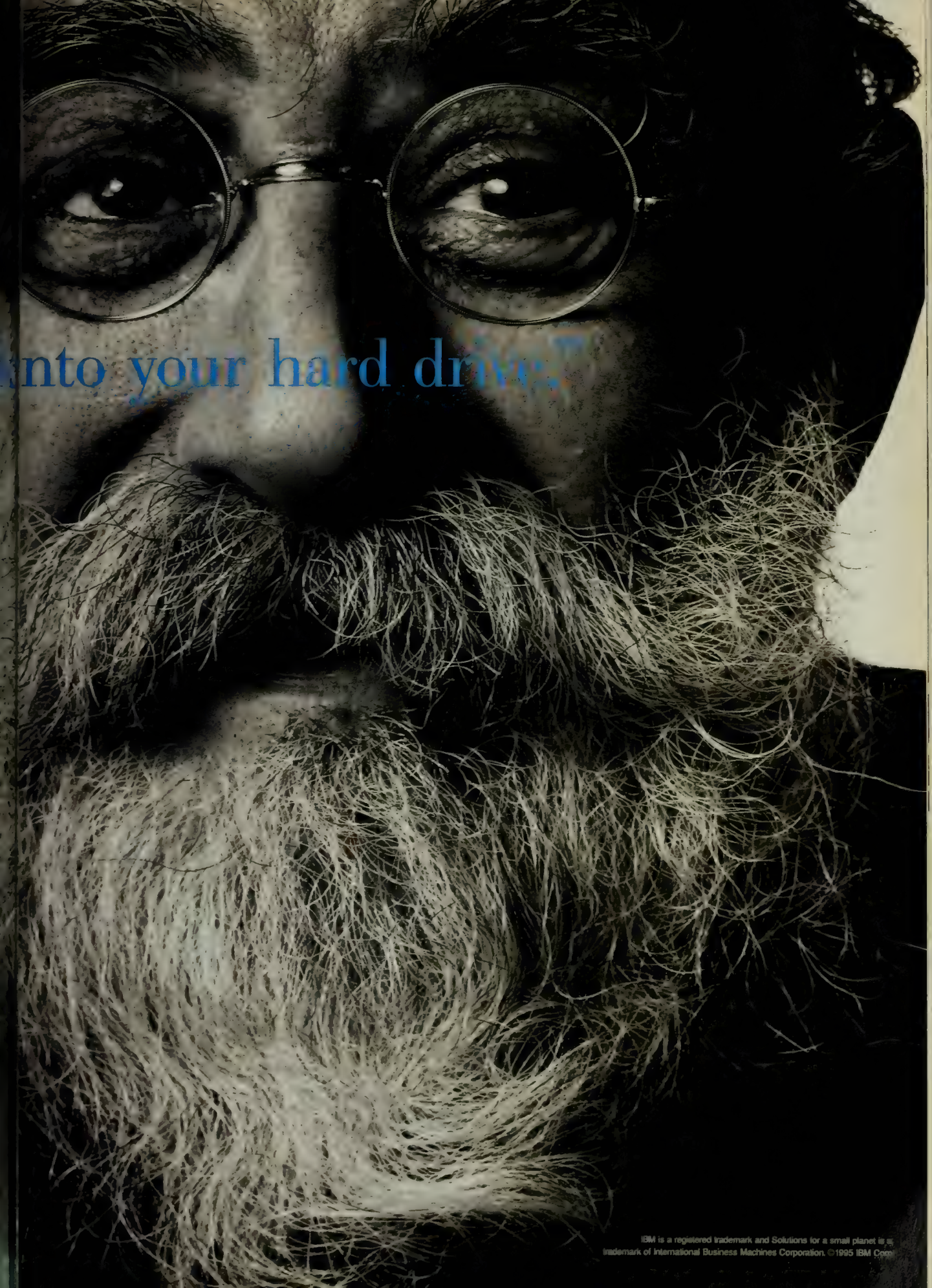
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eral deals in China. The first one, signed in September, gives him 75% of a joint venture with China's second-largest plumbing fixtures maker, which Kohler will run.

"American Standard is larger than we are overseas, but they developed in Europe at least 50 years ago," says Kohler. "We're closing the gap."

In short, while competitors were quitting the business, Kohler figured out where it was going and moved deeper in.

Indulging his "generational" approach to reinvesting earnings, Herb Kohler wants to turn his hometown into one of the world's top golf resorts.

Why would anybody drive an hour north of Milwaukee when Kohler, Wis. isn't even near a beach—Lake Michigan is 4 miles away? "I wouldn't have invested," says Charles Banks, president of the country's biggest plumbing distributor, Ferguson Enterprises Inc., and a frequent visitor to the Kohler factory.

But that's conventional wisdom. It was also conventional wisdom that people wouldn't buy colored bathroom fixtures, or keep buying cast-iron tubs. But the Kohlers always listened to their own voices.

Since 1978, FORBES reckons, Kohler has invested better than $50 million in the resort project. First he overhauled an old Kohler Co. workers' barracks to create the American Club, a resort hotel. Next came a tennis and sports club, a hunting preserve, a spa, restaurants, shops and the centerpiece: two Blackwolf Run golf courses, created by designer Pete Dye.

A trickle of paying customers has become a torrent. The American Club is the only resort in the Midwest to get the top five-diamond rating by the AAA. With tee times crowded at Blackwolf Run, Kohler is building a new golf course, a Scottish-style walking links, also designed by Pete Dye. To accommodate the new course, early this year Kohler bought 560 acres nearby that will give him an unbroken 2 miles of Lake Michigan frontage.

And check out those bathrooms! The American Club's ritzy guest rooms are a showcase for Kohler's fixtures, and Kohler hosts plenty of plumbing industry functions there to show off for plumbers and interior designers.

In the summer cable network ESPN came to Kohler to televise the Andersen Consulting World Championship of Golf. During the course of the three-hour telecast, ESPN interviewed Herb Kohler about his sinks and toilets—publicity that was as priceless in its way as that 1929 New York Metropolitan Museum exhibition of Kohler's new color-coordinated toilets and tubs.

Will Kohler Co. survive into a fifth generation? Loyola University Professor John Ward follows large, successful, family-controlled businesses, such as Kohler, S.C. Johnson & Son, Levi Strauss, the New York Times Co. and Forbes Inc. Ward's conclusion: The two main problems are (1) finding competent heirs to take over the business and maintaining family unity; and (2) paying Uncle Sam's 55% death duties—"the worst [estate tax rate] in the world."

Andrew Eccles/Outline

Laura, David, Natalie, Herbert, Ruth and Rachel Kohler

"You don't have to be president to own the company."

On the first count, Kohler seems well set. Herb Kohler's second wife, Natalie Black, 45, is Kohler Co.'s group vice president for interiors and general counsel, and all three of his children from his first marriage are in the company. Laura, until recently an actor and director in Chicago, handles public relations. Rachel, a onetime investment banker and Booz, Allen consultant, is vice president of showrooms for Kohler's Baker Furniture division. David rotated through some gritty factory jobs and was recently promoted to vice president for North American plumbing sales. Ruth Kohler, Herb's 54-year-old sister, who never married, runs the John Michael Kohler Arts Center in Sheboygan.

Kohler says there are no guarantees that a Kohler will succeed him. He expects family members to prove their worth by working twice as hard as anyone else. "They may or may not have senior executive roles, that depends on their performance," he snaps in the presence of daughter Laura. "You don't have to be president to own the company."

Death taxes? That's going to be a problem, because this is an immensely valuable company. In recent years Herb Kohler has passed up chances to pick up Kohler shares that come on the market, thereby allowing an informal, if small, market to develop through firms like Chicago Corp. and Associated Investment Services in Green Bay. Based on a recent sale of some Kohler stock at $102,500 a share, the entire company is worth around $1 billion—about 15 times the company's stated net earnings last year of $67 million. Who knows what it will be worth when Herb Kohler passes from the scene?

How will future Kohlers come up with half a billion dollars in cash to satisfy the taxman? This is why Herb Kohler is thinking about one day selling shares with limited or no voting rights to the public. Decades ago the New York Times Co.'s Sulzbergers did this to preserve the independence of their business. "You give up your private stature," Kohler concedes, "but at least you don't give up your independence."

The good news is that Herb Kohler is only 56—plenty of time to plan his estate. A few years ago he quit smoking cigarettes (but he continues to chew tobacco), and he's calling fewer meetings at 8 p.m. that run until dawn. But he continues to stick his nose into virtually every decision made at the company. "I work today not for the money but for the excitement," he says.

In short, the chances seem excellent that Kohlers will control and operate an independent Kohler Co. well into the next century. After that, who can tell?

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The cost of living extremely well rose faster than the cost of just living. Blame the weak U.S. dollar.

The luxury blues

By Bruce Upbin

TOO BAD YOU WAITED. The price for a Patek Philippe wristwatch jumped 13% in 1995, the first increase since 1992. Now you will have to pay $10,800 for the basic 18kt gold mechanical model with a leather strap.

"We bit the bullet as long as we could," says Robert Harris, head of East Coast sales for Patek Philippe. Jean Patou of Paris also upped the price of Joy perfume, and Pratesi silk sheets from Italy are up 10% after no change since 1990. For both Patek and Patou, the weak dollar explained the increase, as it did most of the price rises that pushed the Forbes weighted cost of living extremely well index up 4% since last summer.

Some relief is in sight on this front, what with the dollar strengthening currently, especially against the yen. But the dollar is still way down from a few years ago. Thus the Forbes weighted index of luxury goods rose almost half again as fast as overall inflation, which ran at just 2.8% through July.

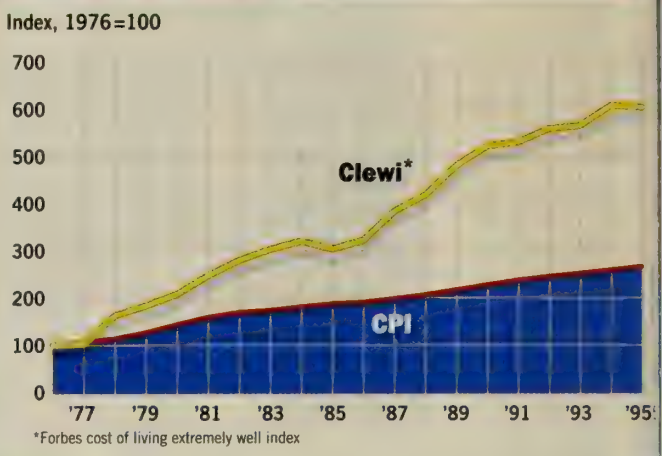
The weak dollar wasn't the only villain. Caviar is up 12%, to $1,587 per kilo, even though the Russian currency has dropped against the dollar. Blame pollution in the Caspian Sea. Female beluga sturgeon, which generally live 25 years before they begin hatching eggs, are said to be dying en masse before reaching maturity.

But there are bargains to be had among the bigger-ticket items. Rolls-Royce cut 11% from the sticker price of its Silver Spur, to $169,900. Learjet's 31A model is off 9%, down to $4.6 million. These two items alone pushed our unweighted luxury price index down slightly last year *(see chart)*.

Thinking about home improvements? Swimming pools and tennis courts cost about the same now as they did four years ago—down therefore in inflation-adjusted terms. Whereas makers of imported goods were forced to raise prices almost regardless of demand because of the weak dollar, these domestic manufacturers have had trouble raising prices because demand for big toys has been relatively weak, says Susan Sterne, who tracks consumer spending habits as president of Economic Analysis Associates, based in Greenwich, Conn.

Why weak? The Clinton tax hikes. The White House's war on affluence didn't force members of The Forbes Four Hundred to drive their old cars another year. However, The Four Hundred don't buy all

The rich pay more



Our unweighted index of the price of a bundle of 42 luxury goods and services has far outpaced the CPI since 1976. Note that had the cost of a Rolls-Royce car and Learjet not dropped last year, our Clewi would have been up again.

John Mattos

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†Source: Morgan Stanley Capital International Perspective and International Finance Corporation Monthly Update, 1995.

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that many cars. Most tennis courts are not bought by the very rich but by the merely affluent. This crowd has been seriously pinched by what has amounted to a near-30% hike in their federal tax rates in the Bush-Clinton years. Moreover, many well-off consumers are still paying off their "Clinton loan," the three-year extension on the 1993 retroactive income tax increase.

In April, for example, a household with $500,000 in taxable income paid an extra $9,000 in retroactive 1992 tax on top of its $186,000 in 1994 tax. With one more year left of the double whammy, a lot of swimming pools, new cars and face-lifts are still being postponed.

Forbes cost of living extremely well index

	Price 1976	Price 1995	% change 1994-95
Apparel			
Coat/natural Russian sable, Maximilian at Bloomingdale's	$40,000	$200,000	none
Silk Dress/Bill Blass Ltd., classic	1,767*	2,670	–4%
Loafers/Gucci	89	275	none
Shirts/1 dozen cotton, bespoke, Turnbull & Asser, London	448	1,858[1]	+4
Shoes/men's black calf wing tip, custom-made, John Lobb, London	202	1,943[1]	+5
Educational expenses			
School/preparatory, Groton, 1-year tuition, room, board	4,200	22,800	+4
University/Harvard, 1-year tuition, room, board, fees	5,900	27,575	+5
Entertainment			
Catered dinner/for 40, Ridgewell's, Bethesda, Md.	2,200	4,205	+16
Opera/2 season tickets, Metropolitan Opera, Saturday night, box	480	3,150	+9
Food at home			
Caviar/beluga malossol, 1 kilo, Aristoff Caviar & Fine Foods, L.A.	283	1,587	+12
Champagne/Dom Perignon, case, Sherry-Lehmann, N.Y.	300	1,020	+6
Filet mignon/7 pounds, Lobel's, N.Y.	50	119	none
Food away from home			
Dinner at La Tour d'Argent/Paris, estimated per person (including wine and tip)	34	230[1]	+3
Home furnishings			
Piano/Steinway & Sons, concert grand, Model D, ebonized	13,500	68,800	+4
Flowers in season/arrangements for 6 rooms, changed weekly, Christatos & Koster, N.Y., per month	1,400	6,000	none
Sheets/set of embroidered silk, Pratesi, queen-size	1,218	5,600	+10
Silverware/Kirk Stieff Co., Williamsburg Shell pattern, 4-piece place setting for 12	1,341	3,510	+10
Lodging while out of town			
Hotel/2-bedroom suite, park view, The Stanhope, N.Y.	333	850	+6
Medical care			
Face-lift/American Academy of Facial Plastic & Reconstructive Surgery	4,000	8,900	+2
Hospital/VIP, Washington Hospital Center, Washington, D.C., 1 day, concierge, security, gourmet meals	325	895	+5
Psychiatrist/Upper East Side, N.Y., 45 minutes, standard fee	40	175	none
Personal services			
Lawyer/established N.Y. firm, partner, estate planning, average hourly fee	$80	$425	+6%
Spa/The Golden Door, California, basic weekly unit	1,250	4,250	none
Toilet goods and personal care appliances			
Perfume/1 oz. Joy, by Jean Patou	100	350	+6
Sauna/U.S. Sauna & Steam Co., 8x10x7 feet, 8-person, cedar	5,000	11,070	+3
Sporting goods			
Motor yacht/Hatteras 60	231,097	1,653,700	+10
Sailing yacht/Nautor's Swan 68	384,300	2,292,700[1]	+9
Shotguns/pair of James Purdey & Sons, Griffin & Howe, N.Y.	20,000	89,010[1]	–1
Thoroughbred/yearling, average price, Keeneland summer select sale	67,300	247,074	+6
Sports facilities			
Swimming pool/Olympic, Olympic Swimming Pool Co., Forestville, Md.	192,308*	525,000	none
Tennis court/clay, Putnam Contracting, Inc., Plainville, Conn.	25,000	45,000	none
Toys and hobbies			
Train set/G gauge, LGB, at Macy's, N.Y.	178	550	0
Transportation, private			
Airplane/Learjet 31A, standard equipment, certified, 10 passengers	3,450,000[2]	4,595,000	–9
Helicopter/Sikorsky S-76B, full executive options	1,300,000[3]	7,000,000	none
Automobile/Rolls-Royce Silver Spur	117,000[4]	169,900	–11
Transportation, public			
Airline ticket/British Airways Concorde, round-trip N.Y.-London	1,512	9,018	+5
Utilities and public services			
Telephone call/10 minutes, AT&T, N.Y.-London	12	11.39	+13
Other goods and services			
Cigars/Aniversario No. 1, Dominican Republic, 25 cigars, Davidoff, N.Y.	127*	564	+5
Magazine/Forbes, 1-year subscription	15	57	none
Duffel bag/Louis Vuitton, Keepall Bandouliére, 55 centimeters	391*	735	+9
Watch/Patek Philippe classic man's gold, leather strap	2,450	10,800	+13
Purse/Hermès, "Kelly Bag," calf, rigid, 28 centimeters	550	4,050	+7

*Owing to new products and/or suppliers, prices estimated from similar products. [1]Based on Sept. 18, 1995 exchange rates. [2]Introduced 1988. [3]Introduced 1978. [4]Introduced 1981.

MARYLAND

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More than 150 of the nation's top business people and politicians converged in July for three days of discussions, lectures and lively debate at the inaugural *Forbes* CEO Forum. ■ The site was neither Wall Street nor Washington, D.C. They came to Annapolis, the historic port town and home of the U.S. Naval Academy and capital of Maryland. ■ The Conference attendees found that the location was chosen with good reason. International leaders in technology and medicine are based here, as is a potent cross-section of financial and service companies. The state's top-notch BWI airport, Port of Baltimore and road network have led companies from around the world to make Maryland their U.S. base. And the state offers access to decision makers in Washington from locations on and near the scenic Chesapeake Bay. ■ While none of that is new, Maryland's political climate is. In his first three months in office, Governor Parris N. Glendening teamed with the state legislature to eliminate five business taxes. He promises to follow that with a personal income tax cut next year. And he is restructuring the government to make it more business friendly, starting by naming an experienced business leader, not a bureaucrat, to head his economic development agency. ■ He boasted of what he termed

MARYLAND
BUSINESS BY THE BAY

area newspapers' derogatory label for him: "the unabashedly pro-business Parris Glendening."

Glendening's Administration made business taxes and cost control a priority in its first year and already has moved aggressively to keep businesses in Maryland and win new ones. In his speech to the CEO Forum, Gov. Glendening concluded: "We have a very clear goal. Maryland will be the benchmark for business and job development by the turn of the century. And I think we can achieve that."

LEADERSHIP

"I tend to be progressive on some social issues. At the same time, I recognize very, very strongly that we must have a strong and expanding private sector. Government programs will not solve the problems we are facing as a country and as a state," said Gov. Glendening.

Gov. Glendening carried that faith in the private sector through 12 years as county executive of Prince George's County, a middle-class suburb bordering Washington. During his administration, the county gained 100,000 new jobs and saw median income nearly double, to $52,000 a year.

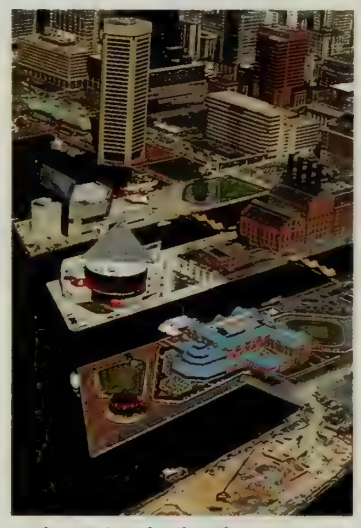
The key to that kind of success is controlling taxes, which has been at the top of his administration's agenda since the election.

"I made three commitments. Number one is that we're not going to increase any taxes in a four-year cycle, and we're honoring that commitment. Number two is that we would reduce selected business taxes. And number three is that we'll reduce the personal income tax," he said. "We will start that reduction next year. There will be definitely be an income tax reduction, the first one since Maryland started its income tax."

Gov. Glendening sees expanding business as crucial to the state's future, at a time when one of the region's main employers — the federal government — prepares to eliminate departments: "I think the state has great strengths, and I think we build on those strengths. Our location is really significant. On the East Coast we are in the center of one of the most wealthy markets in the entire country. We have a tremendous transportation system, everything from the port to the airport to our road system. We have some of the best education and research institutions in the country. And we have a very educated population.

"Having said all that, we still have some things we must improve. One of the major ones, obviously, is tax policy. We did, in the last session, eliminate or reduce six different taxes. They ranged from some reduction of closing costs to the reduction of the tax on high-tech research equipment, to taxes on leased automobiles."

The lease tax was particularly onerous. Maryland taxed the full value of the lease, the monthly payments and the residual value if the lessor bought the car — a combined 18.5% tax. In part because of that tax, leasing activity in the state was only 22% of the national average. But this spring, the state halved that tax. "My guess is leasing activity is going to significantly increase," Glendening said.



Baltimore's redeveloped Inner Harbor is a mecca for major businesses as well as pleasure seekers.

The state also needs to streamline its regulatory process, and department heads already are making that happen. Amoco recently applied for permits for underground storage tanks, what can take six to nine months.

This time, Amoco got the permits the same afternoon. "They were stunned by it. We were pleased and we want to try to make some of these things the norm," Glendening said. "We can protect the environment, we can keep the balance and the quality of life here and still be very aggressively pro-business.

"We have a very good product to sell and we are going to sell it," he said. "We have had some success already in some tough competition. Firms have made decisions to invest in Maryland, and I anticipate as the reputation gets further extended about what is going on here, we're going to have tremendous success."

REAL-WORLD ECONOMIC DEVELOPMENT

Leading the effort will be the retooled Department of Business and Economic Development, with new Secretary James T. Brady.

"My wife likes to say I was born for this job," he said in a recent interview. Trained may be a better description. Brady is no bureaucrat, but a 17-year veteran of the consulting firm Arthur Andersen & Co. He left a top position — managing partner of the firm's Baltimore office — to head the state's economic development efforts.

"My responsibility (at Andersen) was to make sure we were marketing the firm appropriately and bringing in new clients, and making sure we had the resources in the offices to meet needs. That is exactly what we're doing now, frankly," Brady said.

He brings market sensibility to the job, defining it in terms of core principles such as partnership. "The only way to get things done in the '90s is through public-private partnerships. I agree with all those who say government can't get things done. But the private sector can't do it all either."

The department also adheres to another business principle: The customer comes first.

"Too often government has not thought of its customers — all the companies existing in the state, all the companies it seeks to bring in, the local economic development offices and the state legislature," Brady said. "We have to make sure we are satisfying the customer in everything we do."

That is where his third principle, cohesive strategy, comes in. It began with a sweeping restructuring: Some 1,200 of the department's former 1,450-person workforce have been cut or shifted to another department leaving a team of 250 focused exclusively on "retaining the jobs that are here and attracting new jobs."

The department now has a specific marketing team, and another that concen-

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trates on regional development. Still another is devoted to visiting 2,000 to 2,500 customers — existing Maryland businesses — each year to look for ways government can help them. Brady and Glendening also meet regularly with an economic development commission composed of 25 private sector leaders for advice on state policy.

Last year Maryland quintupled its "sunny day fund" for economic incentives to $20 million, but Brady said changes will go further than that. "You have to recognize your weaknesses and correct them," he said.

Maryland is aware its personal income tax is among the highest, and reducing it will be the governor and legislature's top priority in January. The state also will continue to streamline its regulations and permitting, already an initiative for several county governments.

Brady's final principle, competition, shows his background in winning work for his previous firm. "Economic development is a contact sport and you have to be prepared to go down in the trenches and fight for the kind of good, high-paying jobs that citizens want and deserve," he said.

BATTLING FOR BUSINESS

That is exactly what the state did in two recent cases. Spice manufacturer McCormick & Co. was considering building a warehouse and distribution facility outside Maryland, its headquarters for 106 years. "The thought of them beginning to bleed their operation into another state was a very dangerous precedent," Brady said.

Maryland's magnificent waterfront provides an appealing backdrop for a variety of recreational and commercial activities.

The state responded rapidly, and put its newly expanded "sunny day fund" to good use. Maryland came up with a package of a $1 million grant and $4 million in a zero-interest loan, which enabled McCormick to build its center in Harford County, preserving more than 150 jobs.

In March, the state announced what it called a team win. Stainless steel manufacturer Avesta Sheffield AB agreed to take over Eastern Stainless' plant in Baltimore County, keeping 250 employed and adding another 100 jobs. The state and county provided Stockholm-based Avesta with a $1.1 million grant for equipment, $150,000 in training grants and a $575,000 low-interest loan.

The Montpelier Cultural Arts Center in Laurel is a multifaceted arts facility that houses 50 resident artists.

Meanwhile, Baltimore Gas & Electric worked with Avesta to make the plant affordable. The utility offers a wide variety of rebates for energy efficiency, and it helped Avesta develop a program of cutting use on peak demand days, cutting its energy costs. "We managed to bring their cost of electricity down to a little more than 4 cents a kilowatt hour," said Stephen F. Wood, vice president of marketing and sales. The effort meant a 25% reduction in electricity cost, and helped get Avesta into the plant.

BG&E assists in economic development through both business lines and community programs. It offers energy-efficient motors, compressors and lighting, natural gas brokering and energy infrastructure financing, for everything from $3,000 heat pumps to a $20 million chilled water storage system. "We work closely with the customer to help them optimize their energy systems, making sure they don't hit any hurdles," Wood said.

The company also leads the "Brighten Baltimore" program, working with businesses and government to bring more light to downtown streets. "Our concern is the ability to make the downtown area more competitive, and we think the new image will significantly improve that," Wood said.

BG&E's management also is committed to improving the state's economy. Rand Griffin, president of BG&E's Constellation Real Estate group, serves on the state's new Economic Development Commission. Another manager, John Sundergill, is on loan as director of the Baltimore Economic Development Commission. And BG&E staff regularly advise business on dealing with state regulations. "Whatever expertise we have available, we're willing to share," said Roberta Dillow, executive director of economic development. BG&E also is building its infrastructure, investing $25 million a year in its gas distribution.

So is Bell Atlantic-Maryland, which spent $386 million on construction statewide in 1994. Dan Whelan, the division's chief executive officer, said that is important not only to his business, but also to the state's future. "A knowledge-based, information-intensive economy is very dependent on a telecommunications system. There is a tremendous link between business health and community health, and the state of the telecommunications network."

Like other Bells, his is dealing with competitiveness and deregulation, and it is finding the going smoother with Maryland's Public Service Commission. "Maryland's is certainly one of the better commissions I've had experience with," he said. "They are very far along the curve in allowing competitive entry. They are very much in the lead in the U.S."

Bell Atlantic-Maryland also is commit-

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ting itself to public service. It is spending another $13 million in schools statewide to install the East's most extensive distance learning program. It would allow students on the Bay's Eastern Shore, for example, to be taught by a teacher in Baltimore. "Education is the key to success in a knowledge-based economy," Whelan said.

With those and other corporate partners, Economic Development Secretary Brady believes Maryland can win no matter what other states offer. "Our economic development strategy is not premised on incentives," he said. "We need to market the assets of the state."

THE ASSETS

It helps Brady that he has an attractive product to sell. The Baltimore-Washington market has the highest median income in the country and is fourth-highest in buying income per household. It ranks fifth in per capita disposable income.

Manufacturers and research and development firms can expect to see lower taxes in Maryland than anywhere in the country, according to a 1992-93 KPMG Peat Marwick study. Taxes on corporate headquarters also are among the lowest. For business and professional services, Maryland taxes are on par with those of Atlanta, Dallas, Denver, Houston and other hot spots. Its fiscal prudence gives Maryland a AAA bond rating.

Maryland is the home of two government agencies with technical expertise and private-sector spin-off potential: the National Security Agency and the National Institutes of Health. The Washington-Baltimore market receives $13.4 billion in federal procurement contracts, the second-highest total among the nation's markets.

The state's 2.7 million person workforce also stands out. Maryland ranks fourth in the country with 26.5% of residents having a bachelor's degree or higher. And unemployment has fallen in the past year, hovering around 5%, well below the national average.

Brady calls incentives and loan packages "arrows in the quiver," and Maryland's quiver is well stocked. In addition to the "sunny day fund," the state fills financing gaps with a variety of programs for small businesses. They include loan programs to help small businesses meet government contracts, equity participation programs to finance acquisitions, and loan guaranty programs. Brady also can point to the early efforts of the new governor and legislature:

- Cutting the unemployment insurance tax surcharge to 1.1%, saving Maryland's 119,500 employers about $84 million a year,
- Cutting the state budget by $235 million,
- Cutting closing costs for first-time homebuyers,
- Cutting sales tax on leased vehicles,
- Exempting research and development equipment from personal property tax,
- Funding the Center for Advanced Research in Biotechnology in Montgomery County,
- Funding a new Neighborhood Business Development Program for distressed parts of the state,
- Renewing a business incubator program at University of Maryland at College Park,
- Creating the Maryland Economic Development Commission.

Maryland's main assets are its location, transportation network, educational institutions and diverse recreational opportunities. Those attributes have already brought a powerful and resourceful mix of businesses to the state, and more are on the way.

MARYLAND'S LOCATION ADVANTAGE

When California's Lockheed Corp. merged with Maryland's Martin Marietta the two created the biggest aerospace company ever, a $23 billion colossus with 170,000 employees. They made Maryland the new company's home. "We chose Bethesda as our headquarters because of its proximity to our primary customer, the federal government," said Raymond "Buzz" Bartlett, director of corporate affairs. "That's something that's always been an advantage for Maryland. You can never underestimate how important it is to be right next to your customer."

In Maryland, Lockheed Martin puts all of the advantages to use: quality of life, roads, education and state cooperation. "This is a good place to live. The people who came in from California are quickly adjusting and enjoying this place," Bartlett said. The company's employees have lived across the region, but seem to favor the Free State. "The people who live in Maryland seemed to enjoy a stronger sense of community in their lifestyle. That sort of thing matters."

Lockheed Martin engineers and other

Columbia, located midway between Baltimore and Washington, D.C., is a thriving business and industrial center.

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"We chose Maryland because of its proximity to three good airports and because of its port. We like the commerce and contacts of the Baltimore and Washington community. The support services we need are here — graphics, shipping, national mailing houses. It's all here."

—BILL BAKER, VICE PRESIDENT,
LAND ROVER NORTH AMERICA

"We believe that Maryland is a good place to be from a business standpoint, and we applaud the efforts of the state government to make Maryland even more attractive to the business community."

—FRAN HARVEY
PRESIDENT, WESTINGHOUSE ELECTRIC CORP.
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"There is an advantage to the size. You tend to know everyone in the state. You know all the key politicians. Your voice can be heard. That's an important plus."

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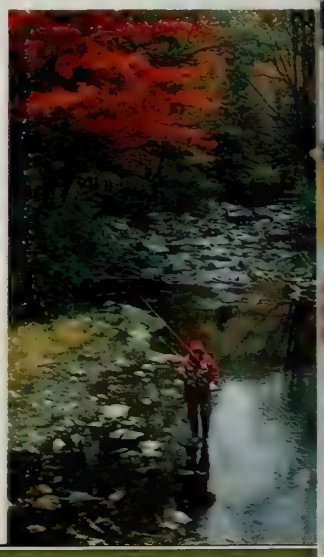

WARDS TO HELP US WHEN THEY COULD. ET THE HELP WE NEEDED."

—Raymond "Buzz" Bartlett, Director of Corporate Affairs, Lockheed Martin

"One of the best advantages we have here is location. There's absolutely no doubt that being here is influential in recruiting people who have a number of choices. The engineering and management schools nearby are also a real plus for us."

—James L. Pierce
Chief Executive Officer
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employees are able to stay on top in their fields in part because of the state's diverse colleges. "Many of our employees are working for master's at Loyola, the University of Baltimore and Johns Hopkins University." Maryland's strong community college network also has been helpful, both for training and for other resources.

The company has returned the favors. Chairman Norm Augustine led the Maryland Business Roundtable for Education, where business executives lend their management skills to local schools.

Lockheed Martin has employees at facilities across the state, including the Aero & Naval Systems Group, at Middle River near Baltimore. Moving employees and products has been easier because of the state's outstanding road system: "All you have to do is drive out of it and into Pennsylvania and Virginia and see the difference," said Augustine.

Meanwhile, Maryland has steadily worked with the company. Gov. Glendening met with Chief Executive Dan Tellep after the merger to offer assistance, and the company appreciates the attention. "The state has always bent over backward to help us when they could," he said. "We've always been able to get the help we needed."

Maryland's tax reputation "has never been a issue," he added. Even before the closing costs reform, in the mid-1980s, the company was willing to move its vertical launch program to Baltimore from Orlando.

The state also looks attractive from across the ocean. In 1986, Land Rover chose Lanham, just outside Washington, as the headquarters for its North American operations. "We chose Maryland because of its proximity to three good airports, and its port. We like the commerce and contacts of the Baltimore and Washington community," said Bill Baker, vice president of corporate communications.

The Maryland location gives Land Rover airport access — and an East Coast time zone — allowing the company to work more efficiently with its European parent company, while remaining close to its primary shipping facility at the Port of Baltimore.

Land Rover is building a new headquarters in a Lanham business park, with a national training center and training course, for use by its dealers, sales and repair staff. From here, a 150-person staff serves dealers across the U.S. The quality of other area businesses makes that job easier. "The support services we need are here — graphics, printing, shipping, national mailing houses. It's all here," Baker said.

Diversity and Drawing Power

Despite its size, Maryland has all the expertise of a Silicon Valley and Wall Street in one.

Westinghouse Electric Corp. is one of the state's biggest and most prominent companies. From the cameras that transmitted the moon landing to both military and commercial radar, Westinghouse's Maryland-based Electronic Systems Group has been an innovator for decades.

The division has 9,400 employees statewide — one-third of whom are engineers and scientists — at four locations, the largest a complex near BWI Airport. Three-quarters of engineers have bachelor's degrees; a quarter have advanced degrees.

The state suits the company well, and Electronic Systems' new president, Fran Harvey, sees it getting even better. "We believe that Maryland is a good place to be from a business standpoint, and we applaud the efforts of the state government to make Maryland even more attractive to the business community," he said. "State Business and Economic Development Secretary James T. Brady is taking an aggressive approach to making Maryland attractive to business, and we believe it will pay big dividends by bringing new businesses to the state while keeping current companies within state borders."

Westinghouse employees both give and benefit from the state's education system. Through its Discover "E" (for engineering) program, more than 500 engineers have visited 420 area schools and the company has donated $420,000 for the schools' math and science programs.

Meanwhile, employees work toward graduate and undergraduate degrees at area colleges and universities. Last year, more than 600 employees received more than

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MARYLAND
BUSINESS BY THE BAY

$750,000 in tuition reimbursement. Westinghouse also conducts many ongoing research programs with the faculty and students at several schools. At the University of Maryland at College Park, for example, the company participates in the Maryland Industrial Partnerships program.

The company also draws on the area and its appeal for its staffing. "There are excellent colleges and universities in the area from which to draw engineering and scientific talent," Harvey said. "The quality of life in the Chesapeake Bay region is a bonus in our efforts to attract and retain talented employees."

Although Maryland is a technological leader, there's still a respect for things done the old-fashioned way. The 12-ton waterwheel at Rock Run Mill has been preserved as part of Susquehanna State Park, just north of Baltimore.

The region draws more than scientific talent. The insurance industry's most recent success story also has a Baltimore dateline. USF&G turned around from a $569 million loss in 1990 to net income of $232 million in 1994. Consolidated operating income was $130 million, 35% better than in 1993.

Analysts and employees credit Chief Executive Officer Norman P. Blake Jr., who was brought in after the 1990 results. Blake quickly sold off the company's non-insurance businesses, but his answer is more than just cutting.

This year, USF&G has been on a selective shopping spree. In April it acquired Discover Re Managers Inc., an alternative risk transfer insurer, in a $78.5 million stock swap. A month later it completed the $59-million acquisition of Victoria Financial Corp., which specialized in nonstandard auto insurance.

USF&G stayed busy in the summer, forming a Credit Union Services Division to market the new Tier One portfolio to the industry. And in keeping with Blake's belief in basics, the company combined its personal lines and small business commercial operations into the Family and Business Insurance Group.

Blake termed the move a "recommitment to our most fundamental operations" and said it would let the company "maximize the customer and agent focus needed to win in these highly competitive markets."

USF&G looks to the community in more than just business. The company created "Supporting Our Students" in 1992, a partnership with local elementary, middle and high schools that involves providing mentors, tutors, speakers and courses to train teachers.

As with USF&G, the three Maryland-based financial services firms all are being noticed — even if their addresses are not Wall Street. Alex. Brown & Sons Inc. is the largest — well-known in business circles if not among the general public, although that is changing.

The firm created investment banking in the U.S. when, in 1810, a decade after Alexander Brown founded the firm, it underwrote an equity offering for the Baltimore Water Company. Now 180 years later, the firm's initial public offerings are recognized as strong performers. Known for turning unknown companies into successful companies, Alex. Brown has geared up to match its competitors in other areas such as mergers and acquisitions. That means opportunities for companies of all sizes and ages in Maryland and elsewhere.

"There is an image we're still fighting, that is that we're primarily focused on IPOs," said Managing Director W. Gary Richlin. "That's a very important business for us (but) I think what's different is that we're providing more services to companies. We're doing the advisory business. We're doing larger transactions, not because we're focusing on larger transactions, but because the companies we took public four or five years ago are doing larger transactions and we are staying with them. We're more focused on staying with our clients as they grow."

The firm completed more $100 million-plus transactions last year than ever, while it advised on 65 mergers and managed 73 public offerings, ranking seventh and sixth in the U.S. respectively. But as Richlin said, it's performance that counts. "We really don't approach our business on a quantity basis. Being second in number of deals with a lot of unsuccessful deals is not particularly where we want to be."

Richlin attributed the success to the firm's "industry knowledge" theme. Alex. Brown focuses on six industry sectors: consumer, environmental, financial services, health care, media/communications, and technology and transportation.

"We know what's making the industry move, who are the strategic players, what are the technological developments, the regulatory environment, the international forces," Richlin said. "By knowing the industry, you can better serve the client. Ten years ago we were unique in an

Each May, Maryland's Pimlico Race Course is home to the Preakness Stakes, the second jewel in the Triple Crown.

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JOHNS HOPKINS MEDICINE

industry approach. Today, lots of people are trying to do it. I don't think anybody does it as well as we do, or as purely as we do it. We think it's really a differentiating characteristic of our firm."

Even though the company is becoming more international, opening offices and tracking more foreign companies in its sectors, it finds Baltimore a strong base. "I have never found it to be a disadvantage either in attracting people or attracting clients," Richlin said.

Baltimore is also the headquarters of two other financial services firms with strong track records.

T. Rowe Price Assoc. is investment manager to its namesake family of no-load mutual funds and investment adviser to individual and institutional clients including benefits plans. It also provides some investment banking services.

T. Rowe Price has grown rapidly since going public in 1986 and now manages more than $66 billion. The firm may be best known for its $2 billion science and technology fund, but Chief Executive Officer George J.Collins points to the firm's balance. "We hit on all cylinders," he said.

Collins came to Maryland after four years in the Air Force. "I found out there are a lot of pluses," he said, particularly historic and picturesque Annapolis. "I think it's the best capital in the United States. Period."

T. Rowe Price Associates taps schools all over the country for its 1,800 employees, and like its neighbors, it has no trouble attracting the best talent. Some of it is located only 30 miles away, at the business school of University of Maryland at College Park. "We'll probably be tapping them even more in the future," Collins said.

Baltimore also has its advantages in recruiting. "We can recruit kids from business school more easily. Quality of life is more important to them than it was 20 years ago," said Raymond A. Mason, chairman and chief executive officer of Legg Mason, Inc.

The super-regional brokerage, advisory and investment banker has offices from Boston to Houston and its own family of mutual funds. Last year, it acquired Batterymarch Financial Management, boosting managed assets to $26 billion.

Legg Mason recently hit a long-standing goal of deriving more than a quarter of revenues from advisory fees, and the firm's Maryland location helps. "We're in a high per-capita income area with a lot of population centers around us," said Mason, a former NASDAQ chairman. "Maryland itself is probably ideally situated."

In a small state like Maryland, businesses are part of a broad, wealthy market without being lost in a crowd. "There is an advantage to the size," he said. "You tend to know everyone in the state. You know all the key politicians. Your voice can be heard. That's a very important plus."

Government Cooperation

For one Annapolis company, it was a $29.9 million advantage. ARINC provides communications and engineering services for the airline industry — in essence, handling nearly all data and voice messages between the ground and airplanes. It also provides engineering, software and hardware for the Defense Department and other agencies. Its commercial work includes providing network control software for Iridium, Motorola's satellite telecommunications system.

Like most companies, ARINC is becoming more global. It sought the contract to modernize China's Harbin airport, but needed an introduction. Maryland officials delivered. "Advocacy from government officials goes a long way to help establish credibility," said Chairman and Chief Executive Officer James L. Pierce. "We have gotten excellent support from the two senators, particularly Sen. Paul Sarbanes."

Sarbanes wrote to the province's governor. He and Sen. Barbara Mikulski sent a second letter, and Sarbanes persuaded Commerce Secretary Ron Brown to lobby for the company. ARINC also visited several times, and Pierce said the Chinese authorities noted the senators' letters. The company signed the contract this spring, seeing it as

The Port of Baltimore offers a major transportation advantage to area businesses.

n entry to the burgeoning Asian market.

The company moved from Washing-on to Annapolis in 1965 and "we've been ankful ever since," Pierce said. "One of e best advantages we have here is loca-on. There's absolutely no doubt that being ere in this location is influential in recruit-g people who have a number of choices." bout 85% of its 2,200 employees have egrees, many of them master's and doctor-tes. Many get those degrees after arriving t ARINC: "The engineering and manage-ent schools nearby are a real positive for s," Pierce said.

Education and Medicine Leaders

Maryland's cutting-edge approach to esearch and education merge in a daz-ling new facility on Baltimore's Inner Harbor, and in another still taking shape – both tied to the University of Maryland Biotechnology Institute.

In the midst of the National quarium and Oriole Park at Camden ards Stadium is the $160 million Columbus Center. The Center's 200,000 square feet of lab space now house the Center of Marine Biotechnology, an arm of the University of Maryland Biotechnology Institute. Already, almost 100 scientists are applying recombinant DNA, molecular biology and cellular physiology techniques to marine organisms in order to develop everything from new medicines to industrial products to new aquaculture methods.

The Columbus Center also includes a science and technology center and a Hall of Exploration. Interested students will get training in the Center's labs and scientists will help teachers set up biotechnology courses in their schools. In addition, the Columbus Center will link with the schools through Bell Atlantic's distance learning systems.

The Biotechnology Institute was recently at the heart of one of Maryland's biggest coups, being chosen as the location of the planned Institute of Human Virology, led by renowned scientist Dr. Robert Gallo. Dr. Gallo pioneered advances in the discovery and treatment of viruses, and invented the blood test that detects the virus that causes AIDS.

He is the chief of the Laboratory of Tumor Cell Biology of the National Cancer Institute.

"We were drawn by Maryland's eagerness to accommodate us," Dr. Gallo said. "The opportunity to work with the exceptional and talented professionals throughout the University of Maryland system, along with the resources available, could not be passed up."

The Institute will operate from the Biotechnology Institute and the University of Maryland at Baltimore, part of the broad University of Maryland system. Its flagship is the University of Maryland at College Park campus, just outside Washington. It alone serves more than 25,000 undergraduates in 117 programs and almost 10,000 graduate students in 84 programs. Its business school has been recognized among the top 25 in the country.

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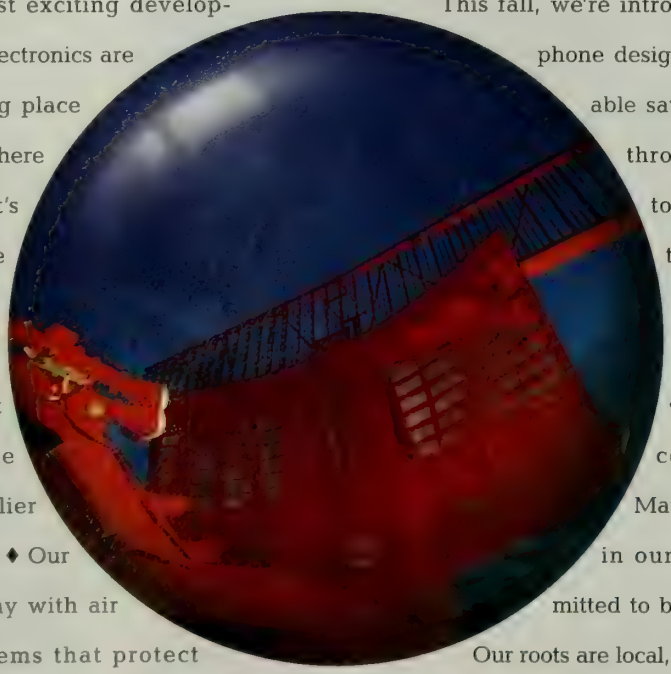

This fall, we're introducing a new mobile phone designed to provide affordable satellite communications throughout the U.S. And today, we're designing the propulsion systems that will power tomorrow's electric vehicles. ♦ As an employer and corporate citizen in Maryland, we take pride in our state and are committed to being part of its future. Our roots are local, but our reach is global.

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Annapolis and Anne Arund

Annapolis and surrounding Anne Arundel County are known for their history. In addition to its rich legacy as a port town and sailing capital, the area is home to the nation's oldest functioning Capitol and the U.S. Naval Academy.

More and more, however, businesses are thinking of it as a future. An Annapolis location places businesses within 30 miles of both Washington, D.C., and Baltimore. Anne Arundel County features BWI Airport, the fastest-growing major airport in the country, as well as rail links and newly expanded highways to both cities.

An Anne Arundel location helps businesses tap spin-off technologies from the National Security Agency and Westinghouse's Electronic Systems Group, both major employers based in the area. Proximity to Washington lets businesses build closer ties to federal and foreign customers and affords easy access to government resources, such as the Library of Congress, U.S. Patent Office, NIST and the Goddard Space Flight Center. County locations also place companies close to the many financial and marketing firms based in Annapolis and Baltimore.

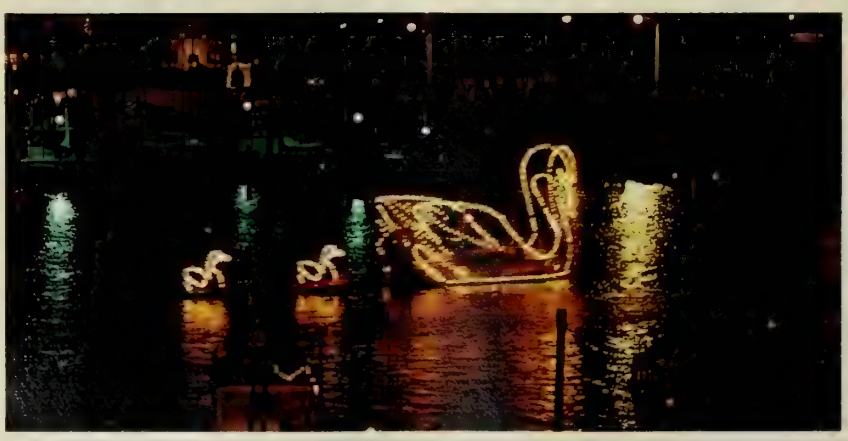
In recent years companies have taken notice. MCI Communications placed its 400-person Small Business Marketing Center near the airport. Cadmus Journal Services brought 350 people to an airport business park for its publishing operation.

British Biotech Inc. has placed its North American headquarters in the county, while Westinghouse, Loral, General Electric and Price Waterhouse all maintain a significant presence.

The Annapolis area is the home of several high-tech companies, from the aviation services company UNC Inc. to defense department engineers IIT Research Institute and ARINC, the airline industry's communications company.

"They're placing their North American centers here and that thrills us," says Michael S. Lofton, who heads the **Anne Arundel Economic Development Corporation**. The area's draw, he says, is both its practicality and its beauty. BWI Airport and its 11 million square feet of office and industrial space is the "dominant engine of growth."

Sites like those, in addition to other planned business parks, are within minutes – sometimes within view – of some of the county's 432 miles of shoreline.



Anne Arundel Medical Center just announced it will build a mixed-use business park on 27 acres next to its Medical Park just west of Annapolis, in the heart of the county's growth area. The site is highly visible, next to a regional shopping mall, just off the major highways to Washington and Baltimore and five minutes from historic downtown Annapolis.

Anne Arundel County also has a property tax cap in place, which has forced the government to be smart and lean. "For cost of government, this is the best value in the area," says Lofton. That combination of advantages has more and more companies recognizing Anne Arundel County not only as a prestige address but as a smart business location, he adds.

His privatized agency concentrates not only on increasing relocating businesses, but on growing loans that are here. The agency's Incentive Fund has made almost $3 million in flexible loans to area companies since 1986, most of it in the past two years.

Lofton also identified tourism as one of the county's top industries. The county is becoming a prime site in the 500-person conference market, with conferences for FORBES, the Department of Justice, the Agency for International Development, Black & Decker and Anheuser-Busch, as well as the Senate President's Forum and a Vietnam Veterans' reunion all in the past year

Anne Arundel County has more than 5,000 hotel rooms in a variety of economical and attractive settings, and most hotels report bookings up by 14% or more in 1995 over 1994.

The modern **BWI Marriott** is a favorite of business travelers, just five minutes from the airport. It offers 310 rooms, 14,000 square feet of meeting space, a 10,000-square-foot ballroom and a 30-foot waterfall in the lobby.

The **Annapolis Marriott Waterfront Hotel** is the only hotel on the water in historic downtown Annapolis. It has 150 newly renovated guest rooms; some with waterside balconies. Numerous boating activities are readily available on its 300 feet of dock space. The new Pusser's Landing Restaurant and Company Store has become a favorite among locals, as well as boaters and guests, looking to enjoy

County: Wind in Their Sails

casual dockside dining.

Loews Annapolis Hotel is popular with meeting planners, this year hosting the FORBES CEO Forum, among many other events. It is the only Anne Arundel County hotel to receive AAA's four-diamond rating. It has 217 rooms, and its Corinthian restaurant is rated among the region's best.

According to Annapolis Mayor Alfred A. Hopkins, businesses and visitors have responded to the charm of Annapolis. "I'd have to say the area's history is the biggest draw," the Mayor comments. "Buildings constructed in the 1600s are still in use today." An estimated 860,000 people visited the **City of Annapolis** in 1994, nearly 40% on vacations or getaways. Visitor information is available at the **Annapolis and Anne Arundel County Conference and Visitors Bureau** in downtown Annapolis.

Annapolis has more 18th-century homes than any city in the country, while other attractions include the Georgian mansion and gardens of William Paca, a signer of the Declaration of Independence. Walking tours, either with colonial-garbed guides or on audio cassette with Walter Cronkite, are popular. Driving tours, and ghost, black history, garden and pedicab tours are also available.

The city also hosts the East Coast's largest boat shows – the October sailboat and powerboat shows and the April power-and-sail show – bringing thousands to the City Dock area. That downtown area is also the site of one of the classic American views, that of the State House and the surrounding colonial buildings overlooking the harbor.

Downtown is home to some 200 shops and restaurants. The region's families, with the highest median income of any U.S. market, also shop at the two major regional malls. **Annapolis Mall**, just west of the city, has nearly one million square feet of retail space, with 160 shops anchored by a new Nordstrom and an expanded Hecht's, as well as JC Penney and Montgomery Ward. **Marley Station** will have more than a million square feet when Sears opens a new 200,000-square-foot store this fall in the northern part of the county. Macy's, Hecht's, JC Penney and 140 specialty stores attract shoppers from Baltimore and beyond.

The area also abounds with cultural and entertainment activities. Annapolis has its own ballet company and symphony, and, in the fall, the East's largest Renaissance Festival takes place on its permanent site near Annapolis. Annapolis Race Week and the Governor's Cup races draw hundreds of yachts and thousands of spectators.

In 1995, Annapolis will host the prestigious Whitbread Round the World Race™. Annapolis' maritime industry will be represented by several boats designed in Eastport.

The Naval Academy, a National Historic Site, is the city's treasure. Its French Renaissance architecture, the chapel's Tiffany windows, the Naval Academy Museum and the midshipmen striding across the Yard, all help to make it the area's main attraction. A new Visitors Center opened this year.

Each year some of America's most memorable scenes unfold at the Naval Academy. The Blue Angels precision flight team performs during Commissioning Week, which culminates with the midshipmen moving on to the Navy after the famous graduation cap toss.

Contact these people for more information about Annapolis and Anne Arundel County:

ANNAPOLIS AND ANNE ARUNDEL COUNTY CONFERENCE AND VISITORS BUREAU
410-280-0445

ANNAPOLIS MALL
Seamus Houston, 410-266-5432

ANNAPOLIS MARRIOTT WATERFRONT HOTEL
Dan Barry, 410-268-7555

ANNE ARUNDEL ECONOMIC DEVELOPMENT CORPORATION
Mike Lofton, 410-222-7410

ANNE ARUNDEL MEDICAL CENTER
Dennis Curl, 410-224-5850

BWI MARRIOTT AIRPORT HOTEL
Bret Ellison, 410-859-8300

CITY OF ANNAPOLIS
Mary Burkholder, 410-263-7940

LOEWS ANNAPOLIS HOTEL
Corey Bonney 410-263-7777

MARLEY STATION
Ed Ladd, 410-766-2033

Maryland Transportation Secretary
David L. Winstead

I have a vision for Baltimore/ Washington International Airport - a vision drawn from the years I spent promoting the Airport in economic development circles, and the even greater understanding I now have as Maryland's Transportation Secretary of its critical importance to the State in shaping Maryland's economic future.

It is a time of great success and change for BWI - when a number of achievements are being celebrated, yet many more are just a year or two away. In 1994, BWI was the fastest-growing major airport in the United States, and passenger traffic from throughout the region has grown dramatically. With aggressive marketing and promotion, passenger volume from the Washington, D.C. area and Southern Pennsylvania increased 50 and 80 percent, respectively, in the past 18 months. In the fiscal year just ended, the Airport generated record operating revenues of nearly $75 million. But we are turning those revenues back into an aggressive capital development program. A domestic expansion, six new gates for Southwest Airlines, is nearly complete, and the new Observation Gallery is drawing rave reviews.

As we achieve the goals just ahead, we will take BWI into the 21st century with a new international terminal that will double our international capacity; a light rail station that will greatly expand mass transit options for Airport users; a new cargo facility; and an expanded parking garage. BWI's user-friendly reputation is of prime importance, and we intend to provide the region's traveling and shipping public with the finest in Airport facilities and services.

FLY BWI
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educational institution is Johns Hopkins University. The university alone generates more than $3.3 billion in income statewide, according to a 1995 economic impact study. The university also attracts more federal research funding than any other, a total of $804 million in 1994.

Johns Hopkins has many departments respected in the business community. Its research operations have spun off a dozen companies, and its Whiting School of Engineering draws more than 2,000 part-time students from the business world each semester.

The Hopkins name is virtually synonymous with medicine, and the university's School of Medicine is regarded as among the best anywhere. The Johns Hopkins Hospital is the university's teaching hospital, and for the fourth year in a row it was named "The Best of the Best" by *U.S. News & World Report.* Among its 1,654 physicians are Nobel Prize winners and world-renowned researchers. The hospital also was recognized in a recent study of 4,000 hospitals as one of the 100 most cost-effective.

Its specialty centers include the Wilmer Eye Institute, the Clayton Heart Center, the NCI-designated Comprehensive Cancer Center, the Children's Center and the Brady Urological Institute. The hospital has 1,036 licensed beds, nearly 7,000 employees and had revenues of almost $580 million in 1994.

The hospital is part of The Johns Hopkins Health System, a parent organization for two other facilities, both nonprofits. The Johns Hopkins Bayview Medical Center operates a 316-bed acute care hospital including geriatrics and AIDS units. It also houses the Baltimore Regional Burn Center. The Johns Hopkins Medical Services Corporation consists of 19 clinical sites around the Baltimore area, which also make referrals to other health systems facilities.

With that kind of activity, Maryland could be expected to be a center for medical companies — and it is. One is Integrated Health Systems, a company based near Baltimore in Owings Mills. Robert N. Elkins, formerly with National Institutes of Health, founded the company 1986. With hospitals pressed to cut costs by discharging people soon after surgery, he saw the need for subacute care such as respiratory therapy and rehabilitation.

"The key to this is if the patients were in nursing homes, they'd be hospitalized at twice the cost," said Marc B. Levin, senior vice president. Nursing homes, however, often lack the necessary equipment and staff needed for that level of care. IHS sets up medical specialty units in its nursing homes, thereby providing services at lower costs than dedicated subacute care hospitals.

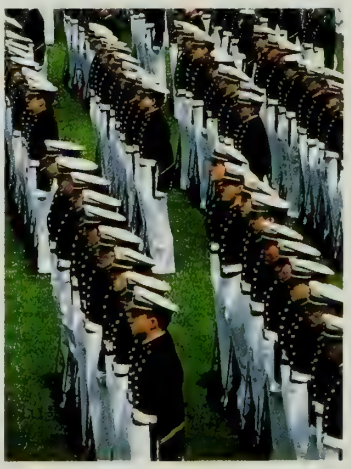
Elkins took the company public in 1991 and since then it has exceeded analysts' estimates for 16 consecutive quarters. The company acquired several similar but smaller companies in 1994, but even revenue from continuing operations doubled that year. IHS now operates 192 facilities in 30 states.

Seamless Transportation

Along with their medical facilities, Maryland officials recognize transportation as one of their key attractions. The cornerstone of the region's economic growth is Baltimore-Washington International Airport and its 10,000 employees. The airport, a hub for USAir, already provides direct service to London, Reykjavik, Luxembourg, Tel Aviv, Santiago, Buenos Aires, Montreal, Toronto and several Caribbean locations, with 650 daily flights.

Those capabilities have drawn other new businesses that rely on convenient transportation, such as TNT Logistics, the management arm of the Australian company, and Wartsila Diesel, the Finnish engine manufacturing concern. Lately, business and commercial travelers also have taken note. In 1994 BWI's passenger traffic rocketed 35.8%, faster than any major airport in the U.S. The 13 million passengers carried BWI past Washington-Dulles as the region's second-largest airport.

The Maryland Aviation Administration



The U.S. Naval Academy is not only a top-ranked educational institution, but also one of the state's most popular gathering sites for tourists and sports fans.

MARYLAND
BUSINESS BY THE BAY

s not resting there. This year, it began work on the $110-million Gov. William Donald Schaefer International Pier. The project will increase the airport's size almost 50%, to 1.5 million square feet, by 1997.

The airport also is adding six gates for domestic service, a $29-million project to be finished later this year.

At about that time the airport will break ground on a new $4.9-million cargo building and a $39-million garage expansion. To keep up the airport's reputation as one of the most user-friendly, the facility has already added 5,400 permanent and temporary parking spaces, and is finishing a new 1,000-space lot this fall.

"We try to make sure in our actions, maintenance and marketing, that we are trying to bring in new jobs to enhance the existing investment," said State Transportation Secretary David Winstead.

Other parking, road and service improvements to be completed by the year 2000 bring total investment to more than $270 million — virtually all of it funded not from taxes, but from the airport's income. BWI has moved quickly to accommodate its growth, and Winstead attributed this to his department's unusual degree of autonomy in managing the state transportation trust fund. "We're able to direct the capital to where the needs are," he said, without necessarily having to wait for studies and approvals. The airport's estimated $27 million profit this year, for example, goes into that fund.

The department incorporates both the Maryland Aviation Administration and the Maryland Port Authority, which runs the Port of Baltimore, another economic engine. The port's five-year-old, $220 million Seagirt Marine Terminal is the most modern container terminal in the U.S., and its Fairfield Auto Terminal serves as Toyota's mid-Atlantic distribution facility.

The port employs 18,000 people, and another 62,500 jobs stem from traffic there. In 1994 it handled 26.2 million short tons, its best year since 1989, and posted record profits of $3.3 million.

Conrail and CSX serve the port through modern transfer stations, and any of six interstate highways, including I-95,

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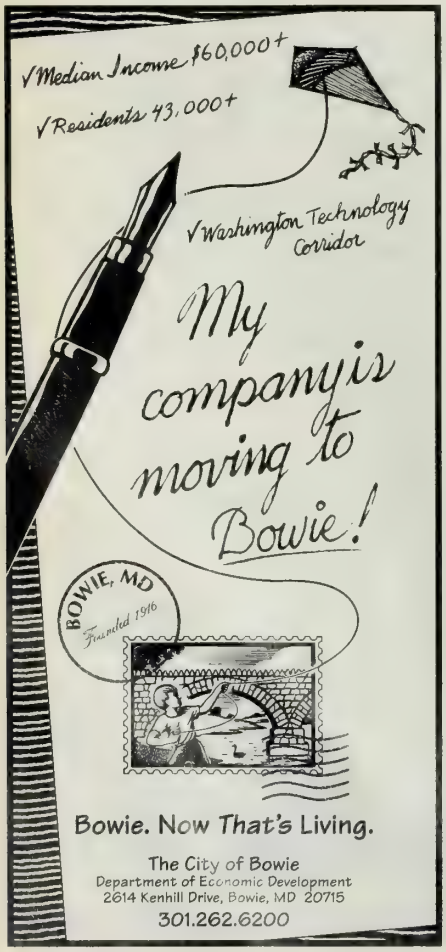

Rocky Gap State Park in scenic western Maryland provides the ideal setting for family picnics and boating trips, and is host to a popular country music festival every summer.

run within a five-minute drive of most gates. The port benefits from an inland location, on a tributary of the Chesapeake Bay. It is closer to Pittsburgh than Philadelphia and closer to Toronto than New York, and it is the closest deepwater port to the Midwest.

"We feel that the proximity of Baltimore to the Midwestern markets will continue to give us an advantage," Winstead said. Baltimore already ranks first in export autos and farm and construction equipment and is third overall in handling autos and trucks.

In addition to commercial rail systems, the MARC commuter rail system links Baltimore with BWI Airport and Washington. Baltimore is served by an extensive Metro system, recently extended to Johns Hopkins Hospital, and light rail extends into Baltimore's suburbs.

Maryland has benefited from steady investment in its nearly 16,000 miles of roads, most recently widening Route 50 between Annapolis and Washington to three lanes. In August, the state opened the statewide operations center for its CHART system, which spots congestion with patrols, road sensors and TV cameras, and advises drivers with radios and remote-controlled signs.

With the federal government cutting more and more highway projects, Winstead said those systems are the way of the future. "It's going to force us to look at ways to deliver mobility and service to make sure we utilize technology as best we can to manage demand."

Making Way for Growth

Improvements to Route 50 and other highways have helped build localities like the City of Bowie. When Mayor Gary G Allen moved his family there in 1967, Bowie was a backwater of some 5,000 people, midway between Washington and Annapolis. Today it has 43,000 residents and is the state's fifth-largest city. "It is almost viewed as a haven by some of the people who come here," Allen said.

Bowie projects 32% growth during the 1990s, much of it coming from Washington-bound commuters who want suburban life. Bowie is virtually equidistant from Annapolis, Baltimore and the nation's capital, and it offers its own Double-A baseball team, six nearby golf courses and the Patuxent River for recreation.

But Bowie is becoming a business location of its own. The city has 500,000 square feet of retail development approved, from restaurant chains to department stores. And it is embarking on one of the state's most ambitious commercial projects, the University of Maryland Science and Technology Center.

The 466-acre business park is at the juncture of two of Maryland's busiest roads, Route 50 and Route 301, and it already has a fiber-optic network in place. Though the project is new, it already has two prominent tenants. The Defense Department's Institute for Defense Analysis and Center for Computing Sciences is in a 117,000-square-foot building, and the Census Bureau just broke ground on its 130,000-square-foot computing center.

That still leaves more than 5 million square feet in the project, laid out as a series of neighborhoods designated for technical offices, R&D firms, large users and a commercial core of business services, shops and a hotel and conference center.

Mayor Allen says his city is an obvi-

ous choice either for residents or businesses. "It's a good place to live, a good place to build and an even better place to work."

Major commercial projects are sprouting across the state, including Georgia-Pacific's 870,500-square-foot distribution center, State Farm Insurance's regional headquarters near Frederick and the Health Care Financing Association's $126-million headquarters in Woodlawn, Baltimore County.

With lower interest rates boosting the homebuilding industry, the region's growth should pick up even more. "The Washington/Baltimore area will probably do 30,000 homes this year," said Gaeton A. DeCesaris Jr., president of publicly traded Washington Homes. "It's probably one of the best regions in the country, certainly in the top five."

His company, based in nearby Landover, built 650 homes across 30 Maryland communities last year. Even in Washington's high-priced market, the company built condominiums and townhouses costing less than $100,000, and that, combined with new tax laws, means opportunities for homebuyers. "In the past, Maryland had some of the highest closing costs. This will help bring that down and help get buyers into their first homes," DeCesaris said.

The growth occurs for two reasons, according to DeCesaris, "You can be working in one of the major hubs and still live out in the country and be 25 minutes from work." And the Maryland experience combines the best of both worlds. "We've got the bay, and Washington. The culture is second to none. The quality of life is just excellent."

Culture and the Chesapeake

That is not news to some of the country's leading executives, who make Maryland their home no matter where they do business. MCI Communications Chairman Bert C. Roberts, for example, lives near Annapolis. Mellon Bank Chairman Frank V. Cahouet has a summer home there as well.

The Chesapeake Bay's reputation as one of the world's best boating locales has drawn still more, such as UNC Inc.'s Dan Colussy and Air-Cure Environmental's Michael Lawlor. And Bay sailing will get its biggest exposure ever in 1998 when the prestigious Whitbread Round the World Race™ stops in Baltimore and Annapolis.

But there's far more to Maryland than sailing. Baltimore is the home of a wealth of culture and sport, from dazzling galleries to diverse ethnic neighborhoods. Its Pimlico Race Course is home to the Preakness Stakes, the second jewel in horse racing's Triple Crown, as well as professional soccer and football, including the wildly popular Baltimore Stallions, runners-up to the Canadian Football League championship and inheritors of the Colts' mantle. Maryland is the country's hotbed of lacrosse, and some of the best is played at Johns Hopkins and the University of Maryland, where the national championship routinely draws 25,000 fans.

Baltimore's sports star, though, is the beloved Baltimore Orioles baseball team, and its often imitated but still unequalled home, Oriole Park at Camden Yards. The team moved into the new stadium in 1992, adding another attraction to the

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Inner Harbor's collection. The Inner Harbor redevelopment has been one of the East Coast's biggest commercial success stories. Each year some 5 million people visit the newly renovated National Aquarium, the Maryland Science Center and the shops of the Harborplace mall.

A water taxi ride away are the shops, restaurants and homes of Fell's Point, as historic as Inner Harbor is modern. Between them is Baltimore's Little Italy, overlooking them is Federal Hill Park and offshore is famed Fort McHenry, which withstood a British naval attack in 1814 and inspired the national anthem.

The city also can point to its world-class Baltimore Symphony Orchestra and a pair of outstanding art museums, even given the competition in Washington. The Walters Art Gallery's 30,000-piece collection spans 5,000 years and includes Egyptian mummies, Greek and Roman statuary, illuminated manuscripts, arms and armor, Renaissance sculpture, Faberge eggs, works by Monet, Pissarro, Manet and Degas, and the Hackerman House's 1,000-plus works of Chinese, Japanese, Southeast Asian and Indian art.

The USAir Arena in Prince George's County i home to the Washington Bullets, the Washingt Capitals and the Georgetown Hoyas.

The Baltimore Museum of Art pick up where Walters leaves off. Its permanent collection numbers more than 100,000 works, including the largest collection of Matisse works in the Western hemisphere. Its New Wing for Modern Art houses the BMA's expanding collection of post-1945 works.

To stay in Baltimore, though, is to overlook what draws most people to live in Maryland. The state begins with pristine Assateague Island, where wild ponies still roam sand dunes overlooking the Atlantic. Just north are the three-mile boardwalks and the raucous fun of Ocean City.

The Eastern Shore is perhaps the last refuge of Maryland's working watermen. The generally flat terrain draws bike tours, and visitors to the region's wildlife preserve can see bald eagles. Southern Maryland is equally as unspoiled, and is still a place of working farms. St. Mary's City, once the home of the governing Calvert family, features an 800-acre living museum.

Around Baltimore is horse country, with rolling green pastures and grazing thoroughbreds. Nearer to Washington, suburbs have inched into Montgomery and Prince George's counties, but the communities rapidly thin out, replaced by farms and historic towns like Frederick. Bikers and runners travel the C&O Canal towpath, which runs more than 100 miles northwest from Washington.

The more daring try kayaking the Potomac in a churning, boulder-strewn stretch at Great Falls, or climbing the cliffs above the river. The river continues into sparsely populated western Maryland, where mountains, rivers and Deep Creek Lake make it possibly the most scenic area of the state.

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THE CEO FORUM

ANNAPOLIS, MARYLAND

JULY 12-15 1995

THE 1995 FORBES CEO FORUM

NEITHER FORBES NOR THE BEST AND BRIGHTEST OF CORPORATE AMERICA who attended the first CEO Forum could have predicted how much the event would exceed expectations.

The Forum's established goal was to give executives "an opportunity to exchange ideas, share insights and reflect on issues that affect the global business environment, the art of management, the economic and political realities and the implications for effective leadership."

Malcom S. Forbes Jr. recognized a need for the CEO Forum: "When you run a major corporation, it's easy to get isolated from your peers."

The success of the Forum rested on the breadth of the participants and their candor, and both were in abundance from the outset. More than 130 CEOs, politicians and high-ranking guests traveled to Annapolis, home of the U.S. Naval Academy, for the three-day event in mid-July — many whisked to the conference via American Eurocopter shuttle.

The Forum began with an assessment of global security from *Forbes* Chairman and former Secretary of Defense Caspar W. Weinberger, former Reagan Administration aides Richard Perle and Richard Armitage, and Yale University Professor Donald Kagan.

After a dinner in a rarely public room of the Naval Academy, the panel found that the greatest threat to the United States may be its own inaction in letting its military preparedness wane and letting warlike nations go unchecked — as happened in Bosnia. "We are doing nothing to teach an aggressor the lesson we taught in the Gulf to Iraq," Weinberger said, a criticism only now being remedied.

Despite any partisan loyalty, however, the panelists faulted both the current and past administrations for their inaction — the first of many surprising opinions voiced at the Forum.

In a session the next morning, General Electric Chairman and CEO John F. Welch traded good-natured barbs with board directors, and compensation with Albert J. Dunlap, Chairman and CEO of Scott Paper. "Too many of them are doing it just for the check," Dunlap said. But Welch claimed board members care more about reputation than compensation: "You're getting bright people for a fraction of what they're worth."

Turnaround expert Dunlap was an appropriate and timely guest: Two days after the Forum, his company announced its merger with the Kimberly-Clark Corp. But they were hardly the only success story present. Walter B. Wriston, chairman emeritus of Citibank, and Frank V. Cahouet, president and CEO of Mellon Bank were also on hand as was philanthropist, strategist and former financier Michael R. Milken.

George Stephanopoulos and Donald E. Moffitt of Consolidated Freightways Inc., were among the Forum's panelists.

The next panel's expertise was just as strong. "Beyond Engineering: How To Know When You Have Cut Too Deep" featured its own slate of turnaround experts: Norman P. Blake Jr., CEO of insurer USF&G Corp., Gerald Greenwald, CEO of United Airlines and Harry C. Stonecipher, CEO of McDonnell Douglas Corp.

Leading the session was an appropriate choice: James W. Down, director of Mercer Management Consulting Inc. While some companies cut for the sake of cutting, Mercer advises a strategy of profitable growth, not only for creating value but also for organizational motivation.

Panel discussions continued that afternoon. In a session on tort reform, ›w Corning Corp. CEO Richard A. Hazelton and Owens Corning Fiberglass Corp. O Glen H. Hiner squared off against attorney Paul D. Rheingold, who had argued ıinst Dow Corning in court.

Later that afternoon, the topic turned to marketing and the panel was again ·ll-suited for the task, with former Apple Computer CEO John Sculley, now ıd of an investment partnership, leading the session. Panelists included ›ster Cruise CEO Adam M. Akron, AGCO Corp. CEO Robert J. Ratliff, *Forbes* ecutive Editor William Baldwin, and MCI Telecommunications Corp. ·sident and Chief Operating Officer Timothy F. Price.

The panel's chairman was David O. Smith, CEO of American Eurocopter — esser-known success story. In 1992, its parent, Eurocopter S.A., became largest manufacturer of commercial helicopters in the world. American rocopter developed innovative marketing based on interaction with cus- ners, using performance assessments in developing their current and future models.

Donald Kagan, Richard L. Armitage, Richard N. Perle and Caspar W. Weinberger discuss geopolitical strategy.

Peter R. Levin, director of advertising for Cadillac Motor Car Division, led one the most spirited sessions, a question-and-answer with George Stephanopolous, ıior adviser to President Clinton.

Political discussions continued that night, with North Carolina Sen. Jesse A. Helms, airman of the Senate Foreign Relations Committee, speaking before dinner at the napolis Yacht Club. Later, former New Hampshire Sen. Warren Rudman criticized the country's mounting debt: "If you ran your businesses the way we run U.S. fiscal policy, you'd be in Chapter 11."

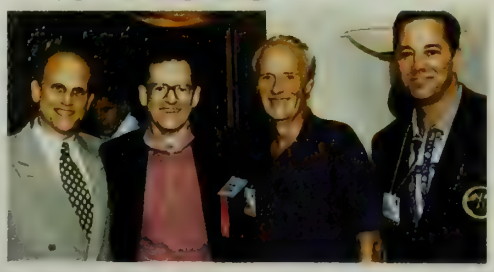
Chairman John F. Welch: eadership behavior is what ves a company's stock price."

From the first day's emphasis on nuts-and-bolts management, Day Two of the CEO Forum largely moved to broad concepts. Topics included how much defense is necessary after the fall of communism, how the cyber-economy affects nations' sovereignty and whether the mushrooming of international treaties threatens free trade. The latter brought together leaders including Dr. Cesar Gaviria, secretary-general of the Organization American States, Gerard J. Van Heuven, president of the North American Free Trade sociation, Enrique Iglesias, president of the Inter-American Development Bank and cretary of Commerce Ronald H. Brown.

The day also included a face-off over the changing role of unions in the nation's ›rkforce. Donald M. Fehr, executive director of the Major League Baseball Players sociation, and Peggy Taylor, director of legislative affairs for the AFL-CIO, debated th the New Jersey Devils owner Dr. John J. McMullen and Donald E. Moffitt, CEO Consolidated Freightways Inc.

The Gallup Organization launched the session by providing participants with ıdies and statistics on the decline of union embership. Throughout the Forum, Gallup o provided moderators and panelists with ta that laid the foundation for debate.

Friday night ended with a discussion th two of the best-known political ategists in recent years, James Carville d John Sununu. They followed a keynote eech by Malcolm S. Forbes Jr., president d editor-in-chief of *Forbes*.



Michael R. Milken, George Gilder, Dort A. Cameron III and Jeff Cunningham enjoy the Forum's reception at the Annapolis Yacht Club.

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Want to make The Forbes Four Hundred? Here are a few suggestions: Move to California, stay married, be born under Pisces. Just about any business will do: tennis shoes, cyberspace, salsa, even tree-trimming.

Land o'plenty

By Peter Newcomb

Edited by Harold Seneker and Dolores A. Lataniotis
Reported by Ann Marsh, Josh McHugh and James Samuelson
with assistance from Paul Choi and Wendy Giman
Photo editing by Lorna Bieber

WE HAVE ENTERED the new era of cyberbucks. The computer and all its digital offspring are creating vast fortunes, sometimes almost overnight. James H. Clark, chairman of Netscape, enjoyed a jackpot of about $500 million when his company began selling its shares to the public last August. Netscape hasn't turned a profit on its Web-browsing software, and may never do so, but such is the magic of the term Internet that Netscape's market capitalization was recently $2 billion.

In this frothy marketplace, pioneers like Bill Gates begin to look as old-money as the Rockefellers once did.

But you needn't be in bits and bytes to make a killing amidst the social and economic ferment of the early cyber age. Today's global economy has become so rich, so complex, that great fortunes can spring up in the unlikeliest places. Twenty years ago people would have laughed had anyone suggested you could get rich off sunglasses or tennis shoes. At least three members of the current Forbes Four Hundred have done just that: gotten rich off sunglasses or tennis shoes.

Jim Jannard is the founder of sunglasses maker Oakley, Inc. The company makes $100 shades it suggests protect wearers against the glare from a nuclear blast. The market found this untestable theory irresistible, and gave Jannard a $140 million payday and a net worth over $750 million when his company went public on the New York Stock Exchange in August.

Christopher (Kit) Goldsbury sold his company, Pace Foods, to Campbell Soup for over $1 billion. The salsa king joins our list this year with a net worth exceeding $800 million.

Sydell Miller developed the Matrix line of hair care products with her late husband, Arnold, and sold out to Bristol-Myers Squibb in 1994. The pharmaceutical giant's shares recently hit a 52-week high, giving Miller's 7.4 million shares a worth of more than $530 million.

Oprah Winfrey literally talked her way onto the FORBES list. The daytime TV star is worth an estimated $340 million, and, unless you take seriously her talk about throwing it all in, she's a good bet for billionaire status a few years down the road. Just keep talking, Oprah.

So much new wealth is being created these days that even getting on The Forbes Four Hundred is becoming more costly almost by the day. A decade ago $150 million did it. Last year: $310 million. This year: $340 million.

Credit a rising stock market as well as economic and social change for the rising price of admission. When we did the first Forbes Four Hundred in 1982, the Dow industrials were under 1000; now they're over 4700.

But if capitalism is about profit, it is also about loss. If it has winners, it inevitably has losers. The list loses two fortunes derived from television this year: comic Bill Cosby and producer Aaron Spelling. No, neither has gone broke. They just were passed by newcomers. *Penthouse* publisher Bob Guccione and singing cowboy Gene Autry are off the list this year. Guccione's publications have been hit by declining circulation, but Guccione's an enterprising sort and may well be back. Autry has been selling off his media and sports assets—he's in a liquidation stage, not a growth stage.

Divorce, too, takes its toll in these days of community property. WordPerfect cofounder Bruce Bastian had to give his ex-wife half his 25 million shares of Novell Corp. The few hundred million he had left weren't enough to put Bastian on The Four Hundred.

Lucky stars? The biggest single astrological concentration is under the sign of Pisces *(see p. 380)*.

Many of the superrich are familiar names these days, folk heroes: Bill Gates, Warren Buffett, Andy Grove. Who hasn't heard of Mike Milken or Ted Turner, Sumner Redstone or Rupert Murdoch? But great wealth can be anonymous, too. In this issue we tell the little-known tales of the Robinsons of Niihau *(p. 40)*, the tree-trimming Asplundhs *(p. 56)* and the valve-making Fred Lennon *(p. 46)*.

Meanwhile, the wealth of America continued its migration west. Ten years ago New York State had the highest concentration of wealth, with 80 members. California had just 49. This year, in a near flip-flop, 82 members are from the Golden State; New York has 54.

And the beat goes on.

Billionaires

King of the software hill

For the past year Gates' fortune has been gaining at the staggering rate of over $450 million a month. And that's before his Microsoft Network takes root on the Internet—and despite intense scrutiny from the U.S. Justice Department.

William Henry Gates III
Microsoft. Bellevue, Wash. 39. Married. Father prominent Seattle lawyer; mother (d. 1994) regent U. of Washington. Brilliant student, quit Harvard to cofound Microsoft Corp. with older Lakeside School classmate Paul G. Allen *(which see)* 1975; built world's largest software company. Acquired, developed operating system for IBM's first PC 1981; Microsoft gets licensing fee each time machine legally using MS-DOS is sold. And then there's Windows. Married Microsoft executive Melinda French New Year's Day 1994 in Hawaii; still building $25 million Bellevue waterfront home. Favorite books: *The Catcher in the Rye, A Separate Peace.* Hard worker, brutally candid, but longtime employees rewarded well—Seattle area now littered with "Microsoft Millionaires." Looking for Hollywood hookups; part interest DreamWorks Inter-

active. Supports biotech engineering, has invested in Teledesic global wireless network with Lakeside classmate Craig McCaw *(which see)*. Energetically promoting Windows 95, combating Justice Department trustbusters, downplaying image of computer omnipotent. One shopper: "I think Bill Gates is controlling our personal lives now." Gates calls The Forbes Four Hundred "silly." Stock up 70% since last year. On Windows 95 day (Aug. 24), Gates' estimated net worth near $15 billion—comfortably ahead of pal Warren Buffett.

Warren Buffett
Despite the roaring stock market, Buffett remains at the number two spot. Does the decision to sell Cap Cities/ABC to Disney mean he thinks the market finally peaked?

Warren Edward Buffett

Stock market. Omaha. 65. Married, but separated from wife Susan *(which see)*; 3 children. M.S. Columbia. Read Benjamin Graham's book *The Intelligent Investor* as college senior. Sought out Graham as mentor, studied at Columbia Business School and Graham's Manhattan investment firm; learned to hunt for undervalued securities. Started investment partnership age 25 with $100,000; after thirtyfold increase, dissolved 1969 at market peak; age 39. Picked up textile firm Berkshire Hathaway 1965; added insurance arm as investment vehicle (capital gains low-taxed). Reinvested at market bottom. Some dogs: Salomon Brothers and USAir. Massive gains: Capital Cities/ABC stake blossomed further $400 million after Buffett-brokered buyout by Disney in August. At $1.9 billion, Geico holdings 42 times initial investment; looking to buy Geico's public stock. Biggest single investment: Coca-Cola. Buys businesses, not stocks. Of Gillette holding: "It's pleasant to go to bed every night knowing there are 2.5 billion males in the world who have to shave in the morning." Completes own tax returns but proclaims computer illiteracy. Says he of friend Bill Gates: "He may be the smartest guy I've ever met. But I don't know what those little [computer] things do." Assuming Disney/Cap Cities closes, Buffett's fortune close to $12 billion.

John Werner Kluge

Metromedia. Charlottesville, Va.; NYC; Palm Beach. 81. Thrice divorced, 3 children. Born in Germany (*klug* is German for "clever"). After father died, immigrated to Detroit with mother 1922. Columbia (B.A. economics 1937). Supplemented scholarship by moonlighting: shoe salesman, secretarial work for son of president of China. Poker winnings by graduation topped $7,000. Captain Army intelligence WWII. Bought first Maryland radio station for $15,000, 1946. Took on unpopular businesses: bought FM when AM big, also independent TV stations. Formed Metromedia 1960. Amassed country's largest cellular network, early 1980s. With right-hand man Stuart Subotnick *(which see)* scoring big hits: realized $4.65 billion pretax liquidating Metromedia assets 1984. Bought Orion Pictures, restaurant chains. Sold cellular assets for $3.4

John Kluge, with right-hand man and 5% partner Stuart Subotnick (standing)
Getting his just deserts, Subotnick now joins his old boss on The Forbes Four Hundred.

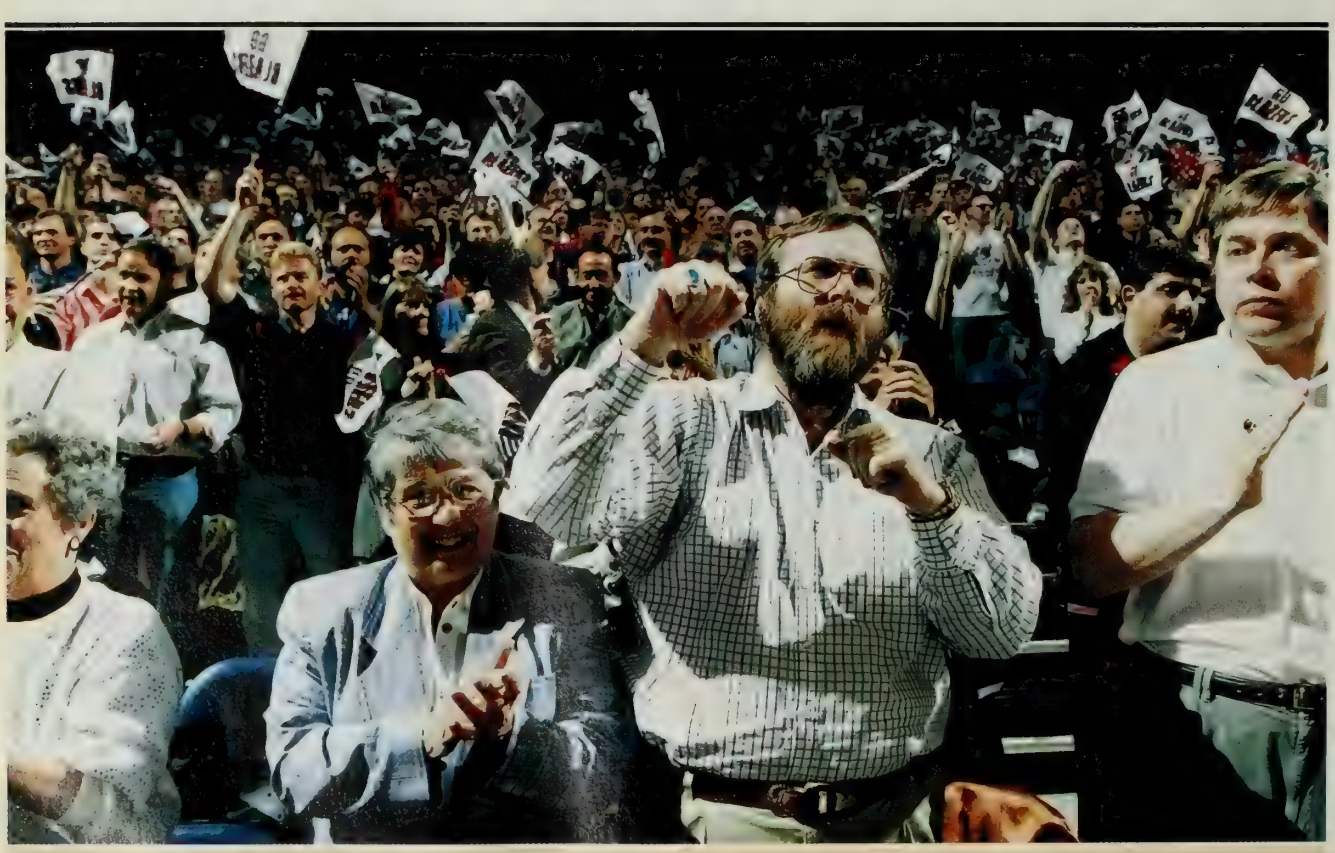
billion by 1992. Completed $2.5 billion long distance phone merger, called WorldCom, September 1993. Kluge sold 16% WorldCom stake for $933 million in August. Orion becoming part of planned international telecommunications/entertainment/media company. "I'm forever raising the high bar and breaking my neck to clear it." Dabbling in soccer franchises. Converted to Catholicism before third marriage, 1981; divorced 1990. Has 10,000-acre Virginia estate; recently sold castle in Scotland to preservation group; big art collection. Gave $110 million to Columbia for minority scholarships. Net worth estimated $6.7 billion.

Paul G. Allen

Microsoft. Mercer Island, Wash. 42. Single. Attended Seattle's Lakeside School with friend William Gates *(which see)*. Unlike Gates, graduated from Harvard. First venture: microcomputer program to determine traffic patterns. State of Washington gave away information free: "We decided to go into more profitable areas." Next venture: teamed with Gates to write version of Basic computer language. Microsoft started 1975. Left 1983 when diagnosed with Hodgkin's; in remission. Kept most of his Microsoft stock. Rejoined board 1990. Founded Asymetrix Corp. 1985: software, multimedia company. Once owned 25% of America Online, now below 10%; reportedly unloaded after failing to get larger stake. Bought 80% Ticketmaster 1993, leader ticketing service industry; on board Egghead Discount Software. Owner Portland (basketball) Trail Blazers. Shoots 3-pointers himself on private full-size court to relax. Made headlines early 1995 after pledging $500 million for 18% of DreamWorks SKG, fourth partner. Plays guitar in rock band; put up $60 million for Experience Music Project, museum in tribute to northwestern musicians, including Bing Crosby, Jimi Hendrix, Pearl Jam; slated to open 1998 in Seattle. Microsoft shares, other investments recently worth estimated $6.1 billion.

Sumner Murray Redstone

Movie theaters, Viacom. Newton Centre, Mass. 72. Married, 2 children. Father, restaurant owner/nightclub operator, opened drive-in theater 1936. Sumner attended Boston Latin School; graduated tops in class 1940. Harvard Law 1947. Late-blooming entrepreneur: practiced law; entered father's theater business 1954. "I thought if I had to be in business, I'd rather be in business for myself." Built National Amusements, now 957 screens U.S., U.K.; coined term "multiplex." Survived 1979 Boston hotel fire by clinging to outside ledge. In 1980s invested in Twentieth Century Fox, Columbia Pictures, MGM/UA: big profits. In 1987 got Viacom (MTV et al.) in $3.2 billion LBO; took public next day at



AP/Wide World

Paul Allen with mom (seated, left), helping out at basketball game
No doubt his Trail Blazers will do well in their new arena, but his Asymetrix investment might need something more than money.

Sumner Redstone
After last year's shopping spree for Paramount and Blockbuster, Redstone's been busy selling other Viacom assets for cash, boosting his net worth close to $5 billion.

profit. Fought John Kluge for Orion Pictures 1988, luckily lost: Viacom took $18 million profit, Orion went bankrupt. Beat Barry Diller *(which see)* last year in epic battle for Paramount Communications. Sold Madison Square Garden, N.Y. (basketball) Knicks, (hockey) Rangers for $1.075 billion; cable TV systems to TCI. Net worth recently estimated $4.8 billion.

Richard Marvin DeVos
Jay Van Andel

Partners. Amway Corp. Ada, Mich. Richard, 69; Jay, 71. Both married. Four children each: all on company's policy board. Partners were next-door neighbors, high school chums. DeVos' father electrician; Van Andel's, car dealer. Post WWII tried flying service, then hamburger stand, then vitamin distributorship. Developed successful distribution system. 1959 started Amway in their basements. Began with biodegradable soap, bought distribution rights from struggling Detroit chemist. Sold enough soap in 2 years to open own plant outside Grand Rapids. Today over 400 products sold person-to-person by 2 million Amway distributors in 64 countries. Company preaches American dream, free enterprise to recruit salespeople. Amway distributors successfully sued by Procter & Gamble for spreading damaging rumors; $75,000 judgment. Company continues to boom. Marketing pacts with big names (MCI, Firestone, Coca-Cola). Claims $5.3 billion total sales. Also real estate, jewelry sales, hotels. With Irwin Jacobs, failed in 1989 $2 billion bid for Avon. Took affiliate Amway Asia Pacific public December 1994 to finance entry into People's Republic of China. Also owns 84% of Amway Japan Ltd., whose shares have not moved much in the last year. DeVos turned over Amway presidency to son Dick, 39, after heart attack 1992. Van Andel stepped down as chairman September; being replaced by son Steve, 40. DeVos *père* also owns Orlando (basketball) Magic, which made its first-ever appearance in NBA finals this year. Founders worth at least $4.3 billion—each.

Jay Van Andel (left), Richard De Vos
Amway finds selling the American Way is booming worldwide.

Samuel I. Newhouse Jr.
Donald Edward Newhouse

Publishing, cable TV. Two sons of father Samuel I., ambitious journalist born to Eastern European immigrant parents. Sam Sr. ran Bayonne (N.J.) Times age 16, took over Staten Island Advance 1922. Tough reputation as cost-cutter; shunned unions. Built into nation's largest private newspaper chain; acquired Condé Nast 1959. S.I. Jr., brother Don took over on father's death 1979; beat IRS in huge estate tax case. Advance Publications now 29 newspapers (3 million circulation); 15 magazines (Vanity Fair, New Yorker, Vogue et al.); Random House book publishing; cable TV (1.8 million subscribers); programming (Lifetime, The Learning Channel). Si: NYC. 67. Divorced, remarried; 3 children. Chairman Advance Publications. At desk by 5 a.m. Shocked literary world when he moved Vanity Fair's Tina Brown to

Donald (left) and Si Newhouse
Giving The New Yorker to Tina finally could be paying off.

editorship of ailing New Yorker, but ad revenues improving. Also bought small stake in Wired magazine. Donald: 65. Married, 3 children. Advance Publications president; oversees newspapers, cable TV operations. Si's son, Samuel III, publisher Jersey Journal; Don's son Steven, editor. Si's cousin, Jonathan, picked to take over when Si steps down. For now, 2 brothers share fortune estimated at $8.6 billion.

Helen Walton
S. Robson Walton
John T. Walton
Jim C. Walton
Alice L. Walton

Widow and children of Sam Walton. Wal-Mart Stores. Sam paid own way through U. of Missouri during Depression by operating paper route. Began working for J.C. Penney 1940 as trainee: "I took 15-minute lunch hours." Stateside MP WWII. Opened Ben Franklin five-and-dime store 1945 Newport, Ark.; lost lease 1950. Opened first Wal-Mart, Rogers, Ark. 1962; saw potential for discount store in small-town America. Took 30 stores public 1970 to raise cash. Today largest retailer, with nearly $82.5 billion sales fiscal 1995; over 2,000 stores. Lived modestly. Died of bone cancer 1992. Family holding believed equally divided among wife, Helen, children. Helen: Bentonville. 76. Valedictorian Claremore (Okla.) H.S., U. of Oklahoma. Travels, contributes generously to Presbyterian church. S. Robson: Bentonville. 51. Columbia Law. Divorced, remarried; 5 children. As teen, delivered morning newspaper, worked at Bentonville store afternoons. Wal-Mart chairman since 1992. "I probably wouldn't be effective if I tried to be" like Sam. In Ironman Triathlon, Hawaii 1985. John T.: San Diego, Calif. 49. Married, 1 child. Vietnam veteran. Once owned Corsair Marine, Inc., trimaran-building business. Active in Walton Enterprises (family's side investments). Jim C.: Bentonville. 47. Married, 4 children. Oversees family banking, real estate, newspaper business. Alice L.: Rogers, Ark. 46. Divorced twice. Trinity U.; business major. Founded Llama Co. 1989; deals with small businesses, student loans.

Helen Walton

Sons Rob . . .

John . . .

Jim

Daughter Alice

The heirs of the late Sam Walton, America's richest man when he died in 1992

Today they dabble in local banks, newspapers and investment banking. But mostly they keep an eye on that $21 billion worth of Wal-Mart stock.

Former broker for E.F. Hutton: "This whole region gets left out by Wall Street and the money center banks." Walton widow, children share fortune, mostly in trusts, recently worth over $21.5 billion.

Ronald Owen Perelman

Revlon, New World Communications, others. NYC. 52. Twice divorced, remarried; 6 children. Helped father in Philadelphia metal-fabricating business; then Wharton business school. First used debt in $1.9 million deal to buy minority interest in jewelry distributor 1978; built into highly leveraged MacAndrews & Forbes conglomerate with financing from Drexel Burnham. Concept: buy undervalued assets with leverage, divest all but cash cows, use money to bag bigger game. Bagged Revlon for $3 billion 1985, failed in $4.1 billion Gillette bid. Bought Marvel Comics, outdoor-equipment leader Coleman Co., National Health Laboratories (now Laboratory Corp. of America), First Gibraltar S&L (later sold to BankAmerica), etc. Created New World Communications Group for television station, programming assets 1994. New World stock surging this year; Perelman owns 42%. Rupert Murdoch *(which see)* invested $500 million in New World in return for Perelman switching 8 CBS affiliates to Fox. Obsessive corporate restructuring for tax benefits: Consolidated Cigar and Mafco Worldwide folded into Mafco Consolidated Group 1995. Smokes 5 cigars a day; Lubavitcher supporter; recently divorced gossip columnist Claudia Cohen and married Democratic fundraiser/activist Patricia Duff. Estimated net worth: $4.2 billion.

Lawrence J. Ellison

Oracle Corp. Atherton, Calif. 51. Thrice divorced, 2 children. Grew up Chicago's South Side. U. of Illinois dropout. "To quote Woody Allen, I had a real problem with authority." To Silicon Valley; worked at Amdahl: helped develop first IBM-compatible mainframe. To Ampex 1973. Began Oracle 1977 with $1,850 in small office in Santa Clara with Robert Miner (d. 1994, *see family*). Saw IBM paper on new computer language for databases, beat IBM to market. Big success. Went public. Pushed sales numbers too hard; Oracle stock collapsed 1990. Brought in high-powered outside management. Cut costs, refocused on quality; came out with industry-hailed Oracle 7. Now wants to

AP/Wide World Mark Lennihan

Ron Perelman with NYSE chairman (left) and friend
Watch those Gibraltar S&L tax-loss carryforwards and tax-saving reshufflings. Ron takes swift action when the taxman rears his head.

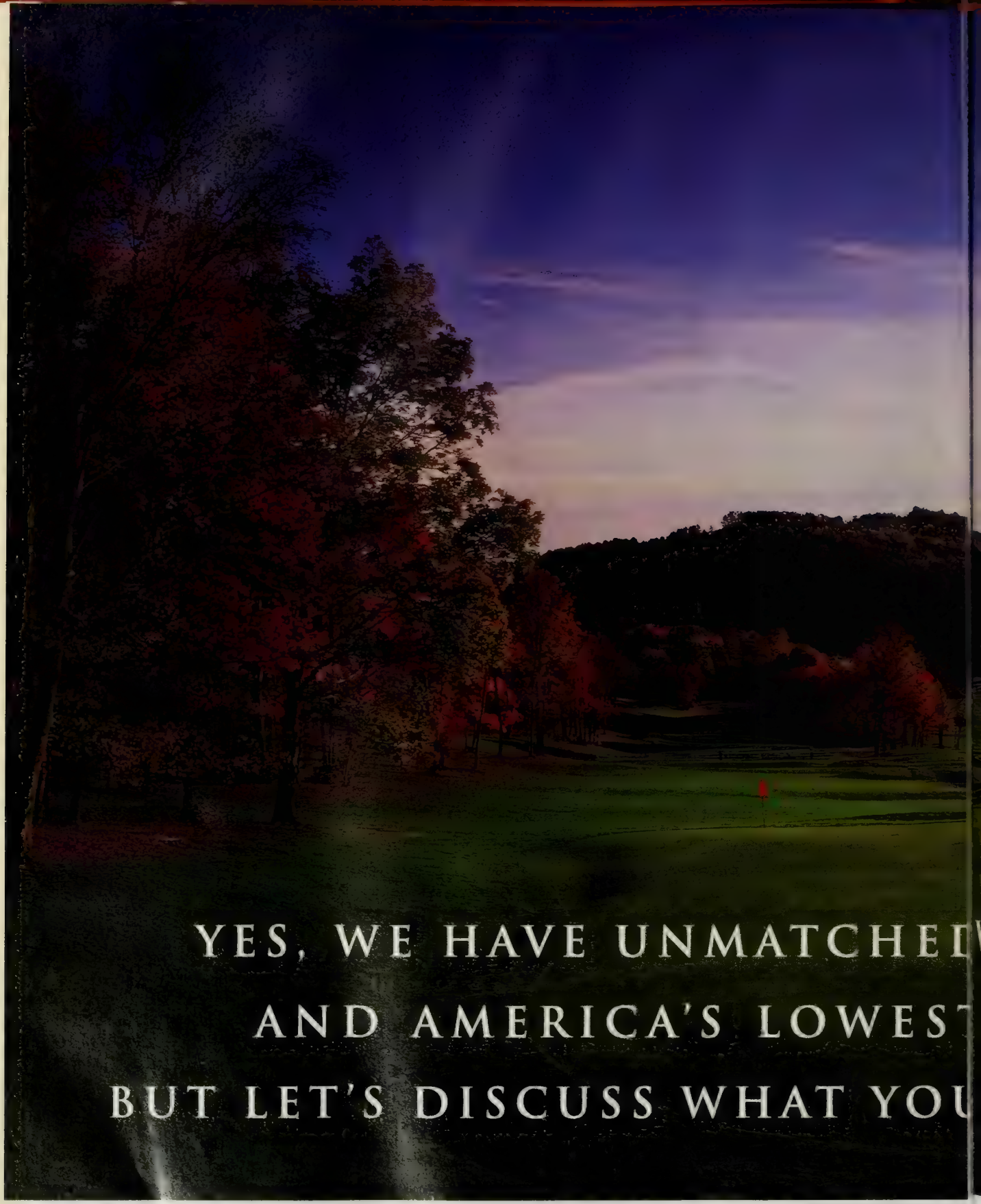
provide interactive TV with monstrous database systems needed to archive video-on-demand. Majority owner NCube, massively parallel computer hardware company. Plans to usurp Microsoft's dominance: "Microsoft is trying to create a proprietary network. We're going to provide a nonproprietary, video-enabled network. We think that's what people really want." Gave up surfing, cycling for basketball after breaking ribs, elbow, neck. Still drives fast: spun out Acura NSX in front of Oracle office building: "It took four months for the tire skid marks to wash away." Heavy into sailboat racing. Hired detective to find natural mother. His stock, etc. recently worth over $4.2 billion.

David Packard
Hewlett-Packard. Los Altos Hills, Calif. 83. Widowed, 4 children. Scholar-athlete Stanford: Phi Beta Kappa, football, basketball, track. Cofounded HP 1939 with Stanford pal William Hewlett *(which see)* in Palo Alto garage; considered birthplace of Silicon Valley. Flipped coin to determine whose name listed first. Packard was business focused; Hewlett, research. Developed the "HP Way": "management by walking around"—buttress written instructions with words and presence. Nixon's Deputy Secretary of Defense 1969-71. Chaired Reagan's Blue Ribbon Commission on Defense Management 1985-86; worked full time in 1990 to save bloated HP. Company back on track, retired again 1993. Philanthropist: with Hewlett, gave Stanford $77 million last year. President, chairman Monterey Bay Aquarium Research Institute, uses robots to explore ocean depths. "It's an important job to find out what goes on in the vast volume of the ocean." His HP shares recently worth $3.7 billion.

Walter Hubert Annenberg
Publishing. Wynnewood, Pa.; Rancho Mirage, Calif. 87. Divorced, remarried; 1 daughter (1 son deceased). Son of Moses Annenberg (d. 1942) founder of what became Triangle Publications (Philadelphia Inquirer, Daily Racing Form). Walter took over

Eric Lipsitz/Black Star

Larry Ellison
He thinks the information superhighway will replace much of what's inside desktop computers—and use his software.



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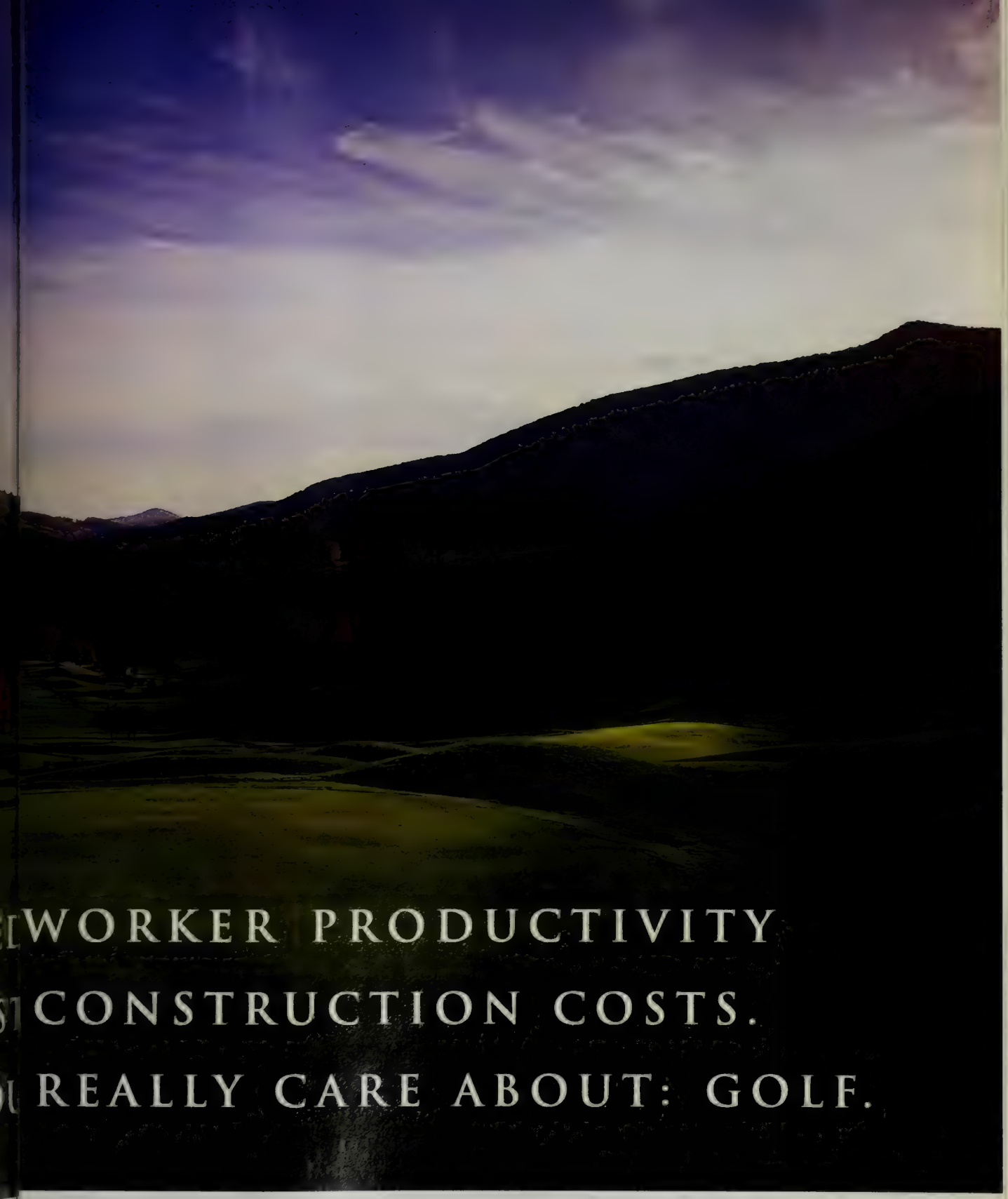

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William Hewlett (left) and David Packard
Things have come a long way from that legendary garage in Palo Alto (it's now a landmark); Hewlett-Packard is now a $25 billion sales power and one of the world's dominant computer-peripheral suppliers.

William Mercer McLeod

debt-ridden company age 32, turned it around, expanded. Took TV Guide national 1953, made it largest-circulation magazine in U.S. Also Seventeen, Good Food; sold Inquirer to Knight-Ridder 1970. Nixon's ambassador to Great Britain 1969-74. Sold Triangle to Rupert Murdoch *(which see)* for $3.2 billion 1988. Stunning impressionist art collection, believed worth close to $1 billion; will go to Metropolitan Museum of Art in NYC upon death. Preeminent philanthropist; "Just to pile up money for my own sake, I can't view that as good citizenship." Annenberg Foundation recent gift: $500 million to spur public education reform; followed $365 million gift 1993 to four schools—Harvard, Peddie School (his prep school), USC, U. of Pennsylvania. Still keeping investment hand in: buying California REITs. His share Triangle sale, art, GM stock et al. estimated $3.4 billion. "I like to sit, sit, sit with securities I believe in." Other Annenberg heirs share over $700 million.

Keith Rupert Murdoch
News Corp. Australia, London, NYC, LA. 64. Divorced, remarried; 4 children. Father Sir Keith esteemed editor Melbourne Herald. Rupert: Oxford 1952; worked on London's Fleet Street. Took over Adelaide News age 23; made name with headlines like "Queen Eats a Rat." Bought Sydney Daily Mirror 1960; diversified into television, magazines, books. Bought U.K. publications; to U.S. 1974. Purchased Twentieth Century Fox 1985. On Hollywood: "It's a crazy business. I enjoy the risk factor." Bought 7 Metromedia television stations 1986; built Fox network. Sold equity, scrambled out of treacherous debt hole 1990-91. Repurchased New York Post out of bankruptcy 1993, squeezed concessions from union. Much bigger move 1993: bought 63.6% Star TV, Hong Kong satellite

James Colburn/Photoreporters

Walter Annenberg and wife in White House Rose Garden
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network spanning Asia. Snatched television broadcast rights to NFC football from CBS, prompting industrywide affiliate shakeup. Controversial book deal with House Speaker Newt Gingrich; Rupert's N.Y. Post ran "Who's a Newty Boy?" headline. Owns more than 30% News Corp.; recently estimated $3.3 billion.

Forrest Edward Mars Sr.
Forrest Edward Mars Jr.
John Franklyn Mars
Jacqueline Mars Vogel

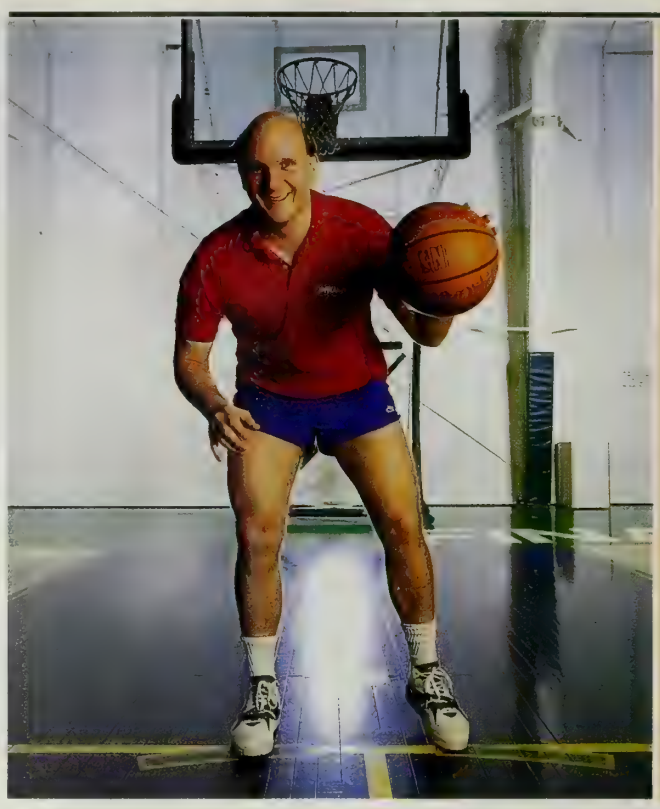
Candy, pet food. Father, 2 sons and daughter. Forrest Sr.'s parents, Frank and Ethel, started making candy 1911; struck pay dirt 1923 after young Forrest suggested candy bar based on chocolate malted milk drink: Milky Way, named for a malted milkshake flavor. Malt-flavored nougat cornerstone of subsequent Mars bars, including Snickers, 3 Musketeers. Forrest Sr.: Las Vegas. 80s. Widowed; 2 sons, 1 daughter. Built candy empire in Europe after falling out with father: "I told my dad to stick his business up his ass." Returned to U.S. after father's death 1934. Developed M&Ms after seeing soldiers eating candy-coated chocolate drops in Spanish Civil War. Bought out family 1964, built one of world's largest candy companies, pet food makers (Whiskas, Kal Kan). Added snack and prepared foods, Uncle Ben's Rice et al. Aggressive expansion into Russian market 1993; experienced slight U.S. market share decline 1994. Retired 1973; runs Ethel M, fine-chocolate firm Las Vegas. Forrest Jr.: McLean, Va. 64. Married, 4 daughters. Established company's Dutch unit 1960s; now copresident. Advanced notion of candy as energy food, added granola bars, noncandy snacks. John: Arlington, Va. 59. Married, 2 children. Set up Australian operations; now copresident. Brothers rule Mars Inc. with authoritarian hand. Jacqueline: Twice married, seeking second divorce; 3 children by first husband. Mars Inc. VP. Current hubby Harold Vogel suing to get bite out of Mars. Family live quietly, operate company under intense secrecy. Four share company worth over $12 billion.

Barbara Cox Anthony
Anne Cox Chambers
and families

Sisters. Newspapers, cable TV. Father James Cox, poor farm boy, later teacher who bought Dayton (Ohio) Daily News 1898 for $26,000. Won 3 terms Ohio governorship; failed presidential bid 1920 (Franklin D. Roosevelt his running mate) against Warren Harding. Left politics, bought Atlanta Journal 1939; Atlanta Constitution 1950. Merged. Now flagship paper of Cox Enterprises. Died 1957. Brother James Jr. took over. Moved into cable TV; spun off because of regulatory problems 1964; d. 1974. Sisters have 98%. Gave control to Barbara's husband, Garner Anthony, then in 1988 to Barbara's son by earlier marriage, James C. Kennedy, 47. Today privately owned Cox Enterprises 18 dailies, 7 weeklies, 3.2 million cable subscribers. First company to use cable TV equipment to transmit a phone call 1993. Publicly traded subsidiary Cox Communications Inc. acquired Times Mirror's cable systems in $2.3 billion cash/stock merger, February *(see Chandler family)*. Cox neck-and-

Rare photo of Barbara Cox Anthony (left, with sunglasses); Ann Cox Chambers
The company they inherited is positioned to be one of the country's mightiest cable TV powerhouses.

neck with Continental Cablevision to become fourth-largest cable system in U.S. Reportedly looking to increase systems in large, urban areas. Sisters own Manheim Auctions, world's largest car auction. Barbara: Honolulu. 72. Divorced, widowed, remarried; 2 children. Avoids press. Ranch in Australia; chairwoman Dayton papers. Anne: 75. Twice divorced, 3 children. Atlanta socialite, markswoman. Friend of Jimmy Carter, his ambassador to Belgium, big Democratic party giver; chairwoman Atlanta papers. Sisters share approximately $6 billion fortune.



Steven Ballmer
Another Microsoft billionaire, the right man with the right friend at the right time, he dropped out of business school to help a pal who'd recently started a software company in Seattle.

Alan Levenson

Jay Arthur Pritzker
Robert Alan Pritzker
and family

Brothers. Finance, manufacturing. Grandfather Nicholas emigrated from Russia to Chicago 1881; started law firm 1902; joined by 3 sons: firm still Pritzker & Pritzker. One son, Abram (A.N.), diversified into real estate, light manufacturing late 1930s; died 1986. Lawyers minimized estate taxes so well IRS pressed for $53 million; recently settled. A.N.'s sons increased holdings. Jay: 73. Married, 4 children. Lawyer by education, financial wizard; used father's credit to finance early deals. Started Hyatt hotels 1957. Brother Donald (d. 1972) ran chain for years, Jay's son Thomas now in charge, expanding company; Donald's daughter Penny runs Hyatt's luxury retirement centers. Partners with Donald Trump in NYC's Grand Hyatt, recently settled lawsuit by Trump over management. Jay reportedly: "If you want to see what kind of partner Mr. Trump is, read his book [The Art of the Deal]." Family backed unsuccessful run on RJR Nabisco, lost to KKR. Robert: 69, twice divorced, now remarried; 5 children. The family engineer, runs 60-plus manufacturing, service companies through Marmon Group (1994 sales, $5.3 billion). Sold most of Ticketmaster stake to Paul Allen *(which see)* 1994; retains 12%. Large stake Royal Caribbean Cruises, Conwood (highly profitable snuff, chewing tobacco firm), real estate, etc. Pritzker fortune estimated $5.8 billion or more. "One thing just sort of led to another."

Jay Pritzker, giving Pritzker Prize to architect Tadao Ando
It's not what he'd like to give to Donald Trump.

Alan Richter Sports

Steven Anthony Ballmer

Microsoft. Bellevue, Wash. 39. Married, 1 child. Swiss immigrant father worked at Ford Motor Co.; Steven grew up in Detroit. While at Harvard studying applied mathematics, economics, met William Gates *(which see)*. Worked at Procter & Gamble; left for Stanford Graduate School of Business, dropped out 1980 to join Gates at Microsoft. First nonprogrammer at the company. Ran product development center (Gates ran the other): user education, market-

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ing, testing office-systems software. Former senior vice president systems software group, now executive VP worldwide sales and support. Once collected 35 signatures from software executives to endorse Clinton-Gore ticket. Unlike Paul Allen *(which see)*, enjoys spotlight; style called "engagingly direct, the decibel count unusually high." "The nice thing about having people make money is that they don't stick around unless they want to. It is a nice filtering process." No real hobbies. "I work too hard." Working seems to pay off. Stock, etc. worth $2.9 billion.

Gordon Earle Moore

Intel Corp. Santa Clara County, Calif. 66. Married, 2 children. Born SF. Berkeley; Caltech, Ph.D. 1954 (physics, chemistry). Father, deputy sheriff; mother's family ran general store. Started working on semiconductor process technology 1956 at Shockley Semiconductor laboratory. Cofounded Fairchild Semiconductor Corp. 1957. Company developed first integrated circuit. 1965 prediction that power of chips would double every 12 months (later revised to 18 months) known as "Moore's Law." With late Robert Noyce cofounded Intel 1968: "... we were the real revolutionaries." Developed world's first microprocessor 1971. Intel now world's largest chip supplier, thanks to aggressive marketing, increasingly powerful chips, minimal internal bureaucracy. Stumbled with Pentium chip flaw 1994. Offered to replace chip after IBM threatened to pull Pentium from systems. Modest office: cubicle faces the parking lot. "If you slow down, you really doom yourself. Pulling back is the road to disaster." Moore's Intel stock now worth more than $2.8 billion.

Edgar Miles Bronfman

The Seagram Co. Ltd. NYC. 66. Married 4 times (twice to same woman); 7 children. Father Sam refugee from czarist Russia to Canada 1889. Delivered firewood; later owned hotels. Formed Distillers Corp., Montreal, 1924. Acquired Joseph E. Seagram & Sons of Waterloo, Ont. During Prohibition found lucrative niche in spirits business along U.S. border. Business also boomed after Repeal. Sam died 1971, split holdings among 4 children. Edgar took American branch (only U.S. citizen among siblings); brother Charles, Canadian subsidiary. Under Edgar, Seagram established international distribution network. Captured world market; bestseller in 150 countries. Sales last year: $6 billion. "I was never anxious for my offspring to get into the business. I grew up knowing I had no choice." Son and current Seagram CEO Edgar Bronfman Jr. engineered

William Mercer McLeod

Gordon Moore (center) mirrored in newly minted silicon wafer, and Intel Vice President Craig Barrett (left)
A self-described "accidental entrepreneur," Moore runs the world's largest chip supplier.

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company's investments in media: $2.1 billion in Time Warner in 1993, $5 billion for 80% MCA this past June, distribution deal with DreamWorks. Edgar Sr. president World Jewish Congress. His stock, other holdings recently estimated over $2.7 billion.

Kirk Kerkorian
Investments. Las Vegas. 78. Twice divorced; 2 children. Son of Armenian immigrant fruit farmer. Junior high dropout, lightweight amateur boxer; trained U.S. fighter pilots, RAF WWII. Flew surplus Air Force planes across Atlantic after war, built charter airline; sold for $104 million profit 1966. Paid $82 million for 40% MGM in 1969 takeover, $380 million for United Artists 1981. Sold MGM/UA to Ted Turner *(which see)* for $1.5 billion 1986; Turner overburdened with debt, sold most assets back 5 months later for $480 million (but kept film library). Sold all to Pathé for more than $1.3 billion 1990. MGM sued for $750 million, Kerkorian countersued; won. Holds 74% MGM Grand. Increasing stake in Chrysler: bought 28 million shares 1991, gradually increased to 36 million; 1995 a determined Kerkorian's takeover threat blocked by management; bought 14 million more shares anyway. Now owns 14%, may buy more. MGM Grand: hotels, casinos, luxury airline; billion-dollar Las Vegas theme park opened last year, the world's largest hotel—5,000 rooms. Last time drew salary: $35,000 in 1966. Scraping by on dividends from estimated $2.7 billion in stock holdings.

William Redington Hewlett
Hewlett-Packard. 82. Portola Valley, Calif. Widowed, remarried; 5 children, 5 stepchildren. Dyslexic; science, math best subjects. Cofounded HP with Stanford U. buddy David Packard *(which see)* 1939. Sold audio oscillator designed while at MIT grad school. Less-known products: bowling alley foul-line indicator, automatic urinal flusher, shock machine for weight loss. Turned $538 initial capital into $10 billion (1995 net worth) company. Left HP to serve in WWII Army. Headed electronics section of War Department Special Staff; inspected Japanese industry after war. Returned to HP as VP. Father of pocket calculator: "I told the guys they ought to design a calculator to fit in my shirt pocket, so they came and measured my pocket." Retired as CEO 1978. Major philanthropist: $50 million to Stanford for science buildings, scholarships. With Packard, $25 million to help Stanford faculty fund research in honor of Frederick Terman, professor and mentor to both men. Modest: no Stanford building bears Hewlett's name, but "this wouldn't be the place it is without those two guys." Hewlett's HP shares valued at $2.7 billion.

Henry Ross Perot
Computer services. Dallas. 65. Married; 4 daughters, 1 son. Son of East Texas horse trader, cotton broker. Eagle Scout. Annapolis. Left Navy after 4 years for sales job with IBM; once filled annual sales quota in 19 days. IBM wouldn't sell data processing services, so founded Electronic Data Systems 1962. Billionaire on paper by 1969, but stock plunged 1970. Stock recovered enough to sell EDS to General Motors for some $1 billion cash plus stock 1984. Thorn in GM's side as director, bought out by company for $700 million 1986. Founded new data processing concern Perot Systems 1988, day after noncompete agreement with GM ex-

Kirk Kerkorian attending yet another shareholders meeting **In early September Kerkorian hired a former Chrysler chief financial officer, raising the chance for a proxy fight at the carmaker. The story is far from over.**

pired. During Iranian hostage crisis 1979 ran jailbreak rescue of 2 EDS employees, smuggled them 540 miles to Turkish border. Founded populist organization United We Stand America; ran as independent for President 1992. Introduced America to IBM-style charts, graphs in famous political infomercials. Dropped out of race citing smear conspiracy, later rejoined, came in third with 19% of popular vote. Preview of 1996 race: Ross and supporters courted by Dems, Republicans at recent United We Stand bash. Son Ross Perot Jr., 36, running family's vast real estate ventures north of Fort Worth. Fortune, much of it in tax-exempt bonds, estimated $2.6 billion or more.

Henry Lea Hillman

Industrialist; venture capital, real estate. Pittsburgh. 76. Married, 4 children. Reserved son of fiery coal-steel-gas tycoon John Hartwell Hillman Jr., who followed lead of other Pittsburgh industrialists Carnegie and Mellon, built Pittsburgh Coke & Chemical, Texas Gas Transmission, etc. After Princeton, Henry joined business 1945, assumed control on father's death 1959. "I'm not a table pounder, and he was." Bought out 5 siblings (now deceased). Henry sold smokestack assets, diversified into real estate, light industry. "When times change, you have to change." Holdings estimated $300 million 1969. Likes science/high tech, invested heavily in Silicon Valley 1970s; now medical technology companies like Perrigo Co. Backed leveraged buyout shops like Kohlberg Kravis Roberts; later his own Exide Corp. Real estate holdings spanned nation. Wife, Elsie, a leading Republican. Henry owns 80% of Hillman Co. empire; stepbrothers Howard and Tatnall *(which see)* own rest. Sold 4.5 million square feet of real estate empire (a third) to Goldman, Sachs affiliate in $450 million deal last year. With Hillman Co., venture capital, etc., net worth estimated some $2.4 billion.

Philip Hampson Knight

Nike, Inc. Portland, Ore. 57. Married, 2 sons. U. of Oregon track star. M.B.A. Stanford 1962; wrote marketing paper on potential of manufacturing athletic shoes in Far East. Price Waterhouse CPA; moonlighted importing Japanese running shoes with former college track coach, Bill Bowerman ("part genius, part madman, the best coach I ever had") 1964. Started making own shoes 1971. Bowerman, now 84, designed famous "waffle sole" 1972: poured latex into wife's waffle iron. Paid a graduate student $35 for "swoosh" logo design. Went public 1980. Heavy advertising. Tops in market until Reebok introduced women's shoes. "We can't take our eye off the ball, because if we lose it, we'll have a bitch of a time getting it back." Got it back with endorsements from hoopster Michael Jordan. Now has 34% market; Reebok *(see Fireman)* now number 2; Knight back in billionaire league. Attire from head to toe: apparel, accessories, outdoor hiking shoes. Opened 4 Nike Town stores: part sports shrine, part retail. Plan 4 more next year. Still avid runner, tennis player. Stock, past sales, estimated $2.4 billion. That's minus the $25,000 contributed to bad-girl skater Tonya Harding's legal fund.

Samuel Curtis Johnson

S.C. Johnson & Son. Racine, Wis. 67. Married, 4 children. Great-grandfather, parquet flooring salesman, founded famous floor wax firm 1886. Sam, fourth generation, new products director 1955; encouraged non-Johnson's Wax items (Raid, Glade, Edge), now among company's most profitable lines. In 1993 expanded and contracted: bought Drackett division of Bristol-Myers Squibb (Windex, Vanish, Drano) for $1.15 billion, sold parts of personal care products line (Cure, Agree). "They realized they were better at making household products than hair products." Very private about profitability but took sideline company Johnson Worldwide Associates (outdoor recreation equipment) public 1987; family wanted liquidity. Also majority interest in Johnson International (bank holding company, assets, $1 billion). Sam's 4 children active in main firm: Curt, 40, VP for global business development; Helen, 38, executive VP Johnson Worldwide Associates; Fisk, 37, home care business, consumer products North America; Winifred, 36, part-time public relations, also investor in Windmark music studio. Sam likes nature photography, flying planes, controls 60% of family company. Estimated over $2.3 billion.

John Richard Simplot and family

Potatoes. Boise, Idaho. 86. Divorced, remarried; 4 children, 1 deceased. Quit school, left home eighth grade. Found calling early: sorted potatoes, raised hogs, saved up for first potato field. Millionaire by age 30. Company scientist developed freezing process 1950s. Simplot assured fortune when he convinced Ray Kroc to go with his frozen french fries. "I love America. We've got the only system that works—it keeps everyone hustling."

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"Mr. Spud" now produces nearly 2 billion pounds annually, including 50% of McDonald's fries. Legal troubles: Internal Revenue Service fine 1977 for failing to report $1.3 million income, then caught manipulating Maine potato futures prices; Jack banned from trading for 5 years 1978. Also owns cattle (fed with potato peels), large fertilizer business (forward integration), meat processing plant, cheese factories, etc. Stake in Micron Technology has grown exponentially in recent years, reportedly urged employees to buy. Macroeconomical: "Paper money has never lasted. Ours won't last. We've got to put some metal in our money." Jack worth at least $2.2 billion, of which $1.5 billion Micron stock.

Robert Muse Bass

Oil, investments. Fort Worth. 47. Married, 2 children. Third son of oilman Perry Bass *(which see)*, who expanded oil holdings inherited from tycoon uncle Sid Richardson (d. 1951). In 1968 Perry stepped down, leaving control to sons *(see also Sid, Lee, Edward)*. Eldest, Sid, diversified with help from Richard Rainwater *(which see)*: Disney, Texaco, real estate, etc. Robert (Yale, Stanford Business) felt overshadowed, split off 1983. Sold most of his Disney, became major dealmaker: media (stake in St. Petersburg Times, Continental Broadcasting, Wometco); real estate (sold Plaza Hotel in NYC to Trump for profit); information (stake in Bell & Howell). Most profitable deal: American Savings Bank, thrift bought from feds 1988; Bob's share estimated $1 billion. Led consortium in $1.1 billion LBO of 8 related food companies (Specialty Foods Corp.). Sold Atlanta cable operators Wometco, Georgia Cable to U S West for $1.2 billion 1994. Historical preservationist: bought Ulysses S. Grant's Georgetown home for reported $2 million. Extremely private: "We seem to have gotten along very well without a lot of publicity." Net worth estimated over $2.1 billion.

Sid Richardson Bass
Lee Marshall Bass

Oil, investments. Fort Worth. Two of 4 sons of Perry Richardson Bass *(which see)*, who built on oil holdings inherited from oil tycoon uncle, Sid Richardson (d. 1951). In 1968 gave reins to eldest son, Sid, newly minted Stanford M.B.A. Sid: 52. Two children. Divorced from Anne 1986, remarried to socialite Mercedes Kellogg. With Stanford classmate Richard Rainwater *(which see)*, brother Lee, started doing deals 1970. Marathon Oil ($160 million estimated profit), Texaco ($450 million); acquired big Disney stake (brothers' Disney shares recently $1.6 billion). Brothers Robert and Edward *(which see)* split off 1980s. With father, Perry, have taken sizable positions in public companies (e.g., Beckman Instruments, Medical Care America, John Wiley & Sons). Ex-wife Anne prominent New York society woman. Lee: 39. Married, no children. Yale grad, Wharton M.B.A. Yale embarrassed itself earlier this year when it returned Lee's $20 million gift intend-

H. Ross Perot
A man needs something more than $2 billion in municipal bonds to keep life interesting.

Barbara Laing/Black Star

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ed for Western civilization curriculum development. Invests with Sid. Lee, with more Disney shares than post-divorce Sid, estimated over $2 billion; Sid estimated $1.8 billion.

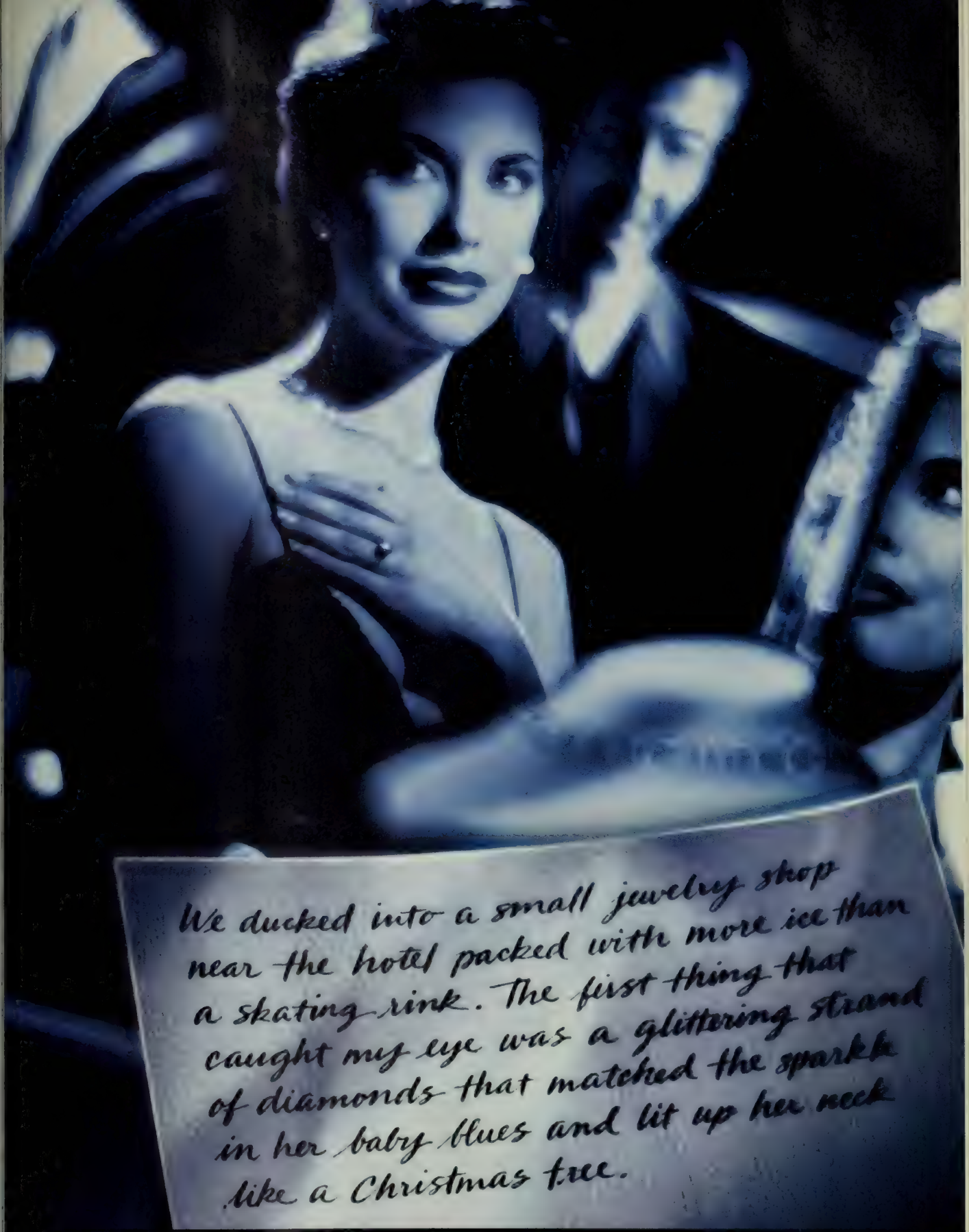
Ray Lee Hunt and family
Inheritance, oil, real estate. Dallas. 52. Married, 5 children. Runs fortune for "second family" of legendary Texas oilman H.L. Hunt. Bigamist H.L. legally married Ruth Ray and adopted her kids 1957 after death of first wife 1955 (wives long-kept secret from each other). Ray's mom: Ruth Ray Hunt. Dallas. 78. Widowed, 4 children. Sister Ruth Jane: Dallas. 50. Single. Professional Christian speaker-singer. Sister Swanee: Denver, 43. Divorced, remarried. Supports social causes for mentally ill, poor. Family inherited Hunt Oil Co., etc. 1974, comparatively small part of H.L.'s empire; split from first family, but on civil terms. Ray: conservative money manager, turned company around, expanded while first family, led by Bunker Hunt, sank into bankruptcy as result of silver debacle, oil bust. "Because of the way he spells his last name, Ray's had to earn his respect twice." Aggressive on oil plays, especially in politically risky areas: hit big time with northern Yemen strike 1984; lucrative field bombed during recent Yemeni civil war but production now fully restored. Also 10% of less risky Beatrice North Sea oilfield. Dallas-Fort Worth real estate, oil refinery, etc. Active in politics, civic affairs. Estimated near $2 billion.

Philip Frederick Anschutz
Oil, railroads. Denver. 55. Married, 3 children. Kansas native; B.S. from U. of Kansas 1961. Father Fred (d. 1993) oil rig operator, sold company for $10 million, unknowingly bought ranch on oil-rich land Utah, Wyoming. Struck it big at Anschutz Ranch East in Utah 1970s; one of 50 largest gas fields in U.S. Sold half of mineral rights to Mobil for $500 million 1982; retired debt. Amoco is operator but family collects 17% royalties (Phil likes to get payment in kind). Now 1 of 7 working-interest owners. Went into minerals, Denver real estate, stocks (nearly $100 million profit from ITT, Pennwalt). Bought Rio Grande Railroad for $500 million 1984, added Southern Pacific 1988. Two considered among worst-run RRs, but debt-laden IPO big hit: SP went public August 1993 at $13.50; did secondary in 1994 at $21. Sold again same year at $19.75. With partner, bought downtown Denver Tabor Center for $123 million; building new $130 million Denver (basketball) Nuggets stadium. Phil's railroad stock recently worth over $1 billion, pushing estimate to near $2 billion.

Jon Meade Huntsman
Plastics, chemicals. Salt Lake City. 58. Married; 9 children, 26 grandchildren. Wharton, USC M.B.A. Managing in-laws' egg-processing plant inspired 1965 joint venture in polystyrene egg containers. Started

Alan Levenson

Nike founder Philip H. Knight
Happiness is sales running 79% ahead of Reebok's.



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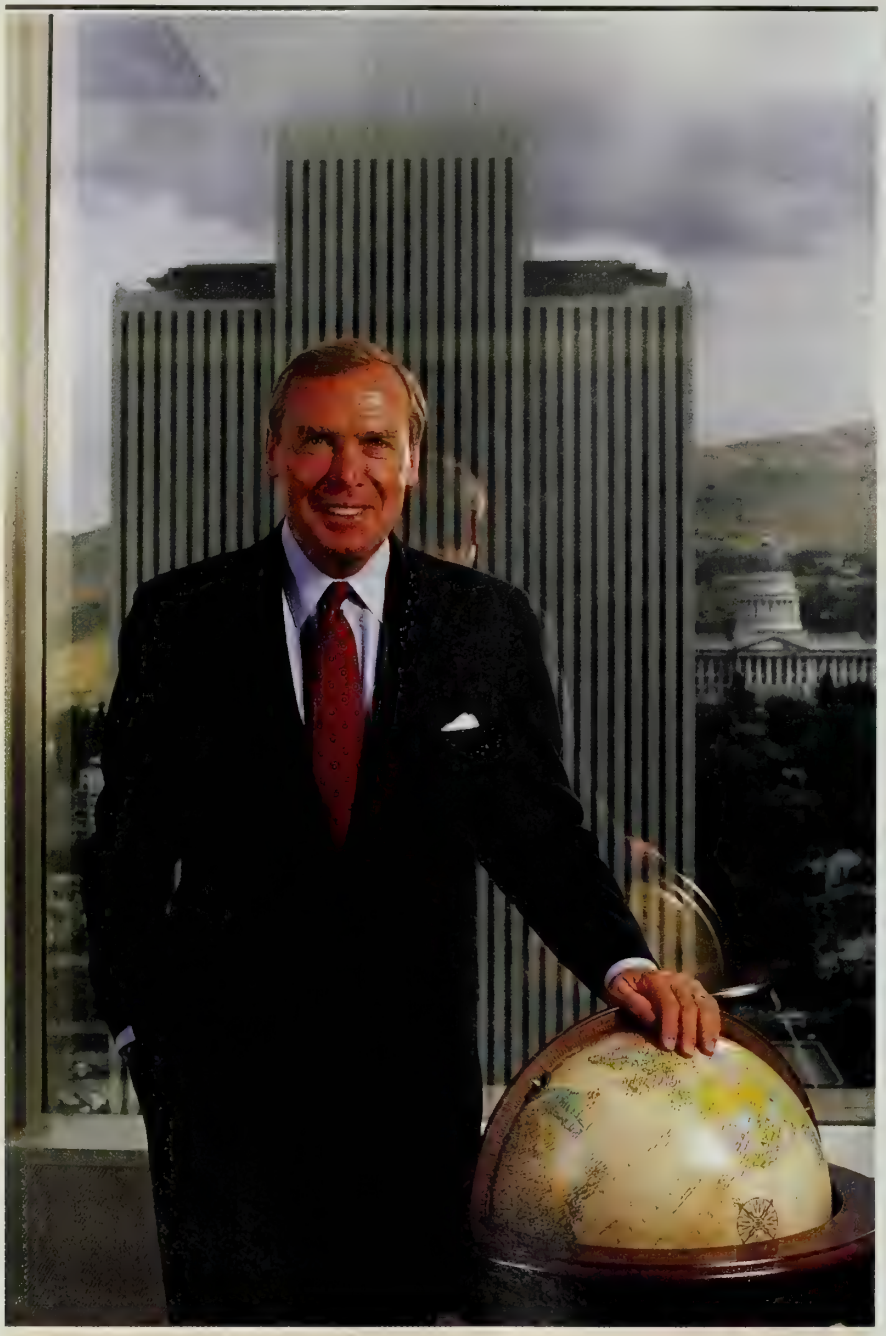


Jon M. Huntsman
Huntsman elevated his bottom-fishing game with last year's purchase from Texaco.

plastic-products company with brother 1968. Appointed to HEW 1970; Nixon aide; Utah chairman Reagan, Bush campaigns. Company neared bankruptcy, then recovered; sold 1976. Founded Huntsman Chemical with big debt 1982. Sought acquisitions at bargain prices with aggressive leverage at cyclical lows in plastics markets. Bought Texaco's petrochemicals operation 1994 with Australian billionaire Kerry Packer (also a bottom fisher) for $1.06 billion; put in $80 million equity, got 80% stake. Puts Huntsman revenues up to $4.3 billion. Recent purchase of Eastman Chemical's polypropylene business added 500 million pounds capacity (total now about 850 million pounds and growing). With acquisitions and strong markets, net worth may have doubled to $2 billion; still plenty of leverage. Devout Mormon, eventually intends to give fortune to charity.

Marvin Harold Davis
Oil, real estate. Beverly Hills. 70. Married, 5 children. Son of British prizefighter who wove fortune in NYC garment district, invested in oil after WWII. Tax-savvy Marvin joined Davis Oil after NYU; snapped up cheap, lucrative Rocky Mountain oil leases,

Charles de Ganahl Koch (center) **The quiet business genius behind giant Koch Industries.**

Dave Williams/Wichita Eagle

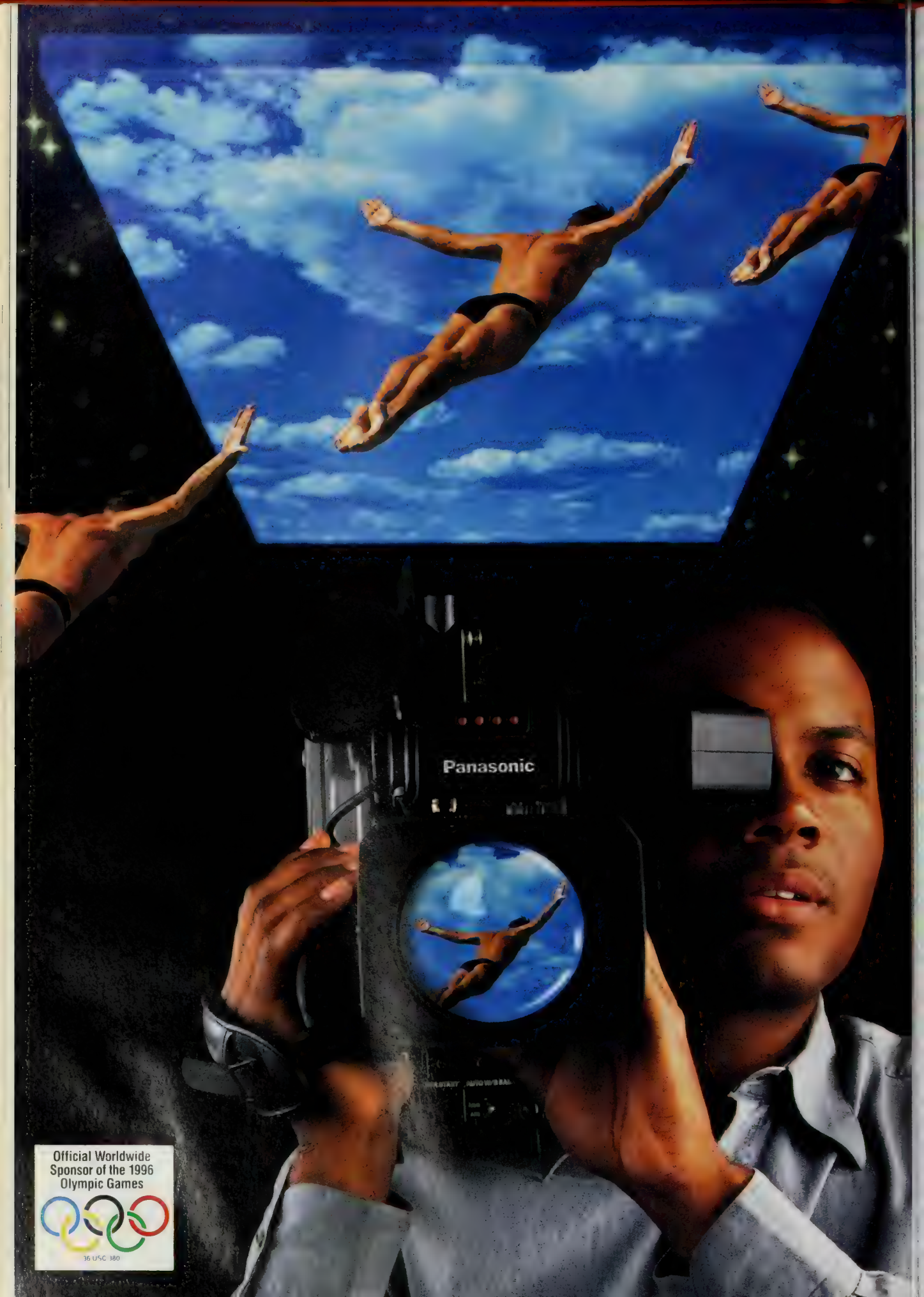
soon nicknamed "Mr. Wildcatter." Most of enormous oil interests sold to Hiram Walker 1981, later in oil partnerships with Apache Oil, Aetna. Used proceeds to diversify, buying Twentieth Century Fox with fugitive financier Marc Rich *(which see);* broke up company, sold pieces for big profits. On-the-lam Rich sold Fox interest to Davis for $116 million 1985; Davis then sold to Rupert Murdoch *(which see)* for $575 million. Bought and sold Colorado, California real estate: Pebble Beach, Beverly Hills Hotel, Aspen Ski Co. Profitable runs on Northwest, United Airlines 1989. Lost in hotel pay-per-view provider Spectradyne (Chapter 11 1992). Described as "tire-kicker": considered buying Lorimar Pictures, MGM/UA Communications, Los Angeles Herald Examiner et al. Son John, 41, movie producer *(The Firm, Waterworld),* active in dad's business; Marvin hired Bankers Trust execs for deals; joined fellow Mesa Inc. stockholder Dennis Washington *(which see)* in demand that Boone Pickens increase stock's value. Davis' net worth estimated some $2 billion.

Donald Leroy Bren

Real estate. Newport Beach, Calif. 63. Twice divorced, 4 children. Eldest son of late Hollywood producer Milton Bren; stepson actress Claire Trevor. To U. of Washington on ski scholarship; failed Olympic bid 1956. After Marines, built first house on $10,000 loan 1958 (later sold to actress Jane Wyman). Started new home-building company; sold 1970 to International Paper for $34 million; bought back 2 years later for reported $22 million. With Al Taubman, Max Fisher, Herb Allen *(see listings)* bought Irvine Ranch, large tracts of land originally bought 1864 by James Irvine, two partners. Group paid $337 million 1977, Bren bought out most partners 1983 for $518 million. Minority owners Joan Irvine Smith *(which see),* mother Athalie Clarke sued; eventually awarded $250 million. Irvine Co. now covers 90 square miles Orange County, Calif. Owns office, industrial, retail space; hotels; two 18-hole golf courses. Took public REIT with apartment properties 1993; Irvine retained 61%. Don's 92.3% Irvine Co., other assets, still estimated some $2 billion, despite Orange County financial woes.

Edward Crosby Johnson III
Abigail Johnson
and family ★

Fidelity Investments. Boston. Father and daughter. Edward (Ned) Johnson: 65. Married, 3 children. Ned's father, Edward II, lawyer, acquired failing Fidelity Management Corp. 1946; built leading mutual fund manager: "The market is like a beautiful woman, always fascinating, always mystifying." Father, excellent stock picker; son Ned, CEO 1972, master marketer. Created mutual fund for every investment strategy to gain market share. Magellan Fund ($53 billion assets) biggest stock fund. When Charles Schwab & Co. started OneSource (offers no-loads from other fund families), countered with FundsNetwork. This year some $497 billion under management. Also real estate, publishing (suburban Boston newspaper chain, Worth magazine). In August Ned cut own Fidelity shares by half, to 12%, for estate planning, turned over to employees. Principal heir apparent: daughter Abigail, 33,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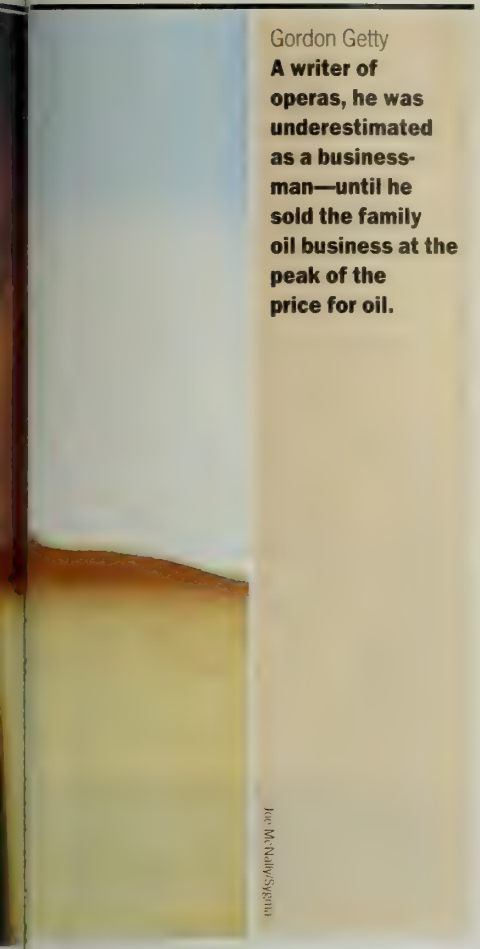
married, 1 daughter. She manages Fidelity's $2.1 billion OTC portfolio, retains 24.5% voting stock. Based on voting stock holdings, Ned's stake, plus other assets, now reduced to estimated $1 billion; Abigail's estimated $1.9 billion.

Robert Edward (Ted) Turner
Turner Broadcasting System. Roswell, Ga. 56. Twice divorced, 5 children; now married to actress Jane Fonda. Attended Brown U.; kicked out for girl in fraternity room, earned degree years later. Took over, saved late father's bankrupt billboard firm. Acquired failing Atlanta TV station 1970; turned into first cable superstation 1976 (now TBS). Avid yachtsman. Pioneered CNN 1980. Went into debt to purchase MGM film library 1986; with new partners, Tele-Communications, Inc. and Time Warner, got out of financial crisis later that year. Turner Broadcasting's assets now include CNN, TNT, the Cartoon Network, Hanna-Barbera, Atlanta (baseball) Braves, the MGM film library, New Line Cinema, Castle Rock Entertainment. Had been scrambling to make bid for CBS (previous effort failed 1986)—until Time Warner made a bid for Turner Broadcasting. If deal goes through, Turner will be Time Warner's biggest stockholder. At $22 a share, Turner's shares are worth $1.9 billion, but Time Warner is offering stock worth over $30 per share.

Charles de Ganahl Koch
David Hamilton Koch
Brothers. Oil services. Sons of Fred (d. 1967), who developed thermal-cracking refining process to extract extra gas from crude 1928; U.S.S.R. early customer. Founding member (1958) John Birch Society—reportedly after seeing Russian friends liquidated. Four sons inherited $250 million (sales) oil marketer; renamed Koch Industries. Charles: Wichita, Kans. 59. Married, 2 children. "Genius" joined Koch after management consulting gig. Three MIT degrees. Workaholic chairman. Bought refinery, then chemicals, pipelines, ranching. Now second-largest (revenues) family-owned U.S. business after Cargill; sales over $20 billion. David: NYC. 55. Single. Joined 1970; executive VP; 1980 Libertarian VP candidate. Broke with party 1983—"too radical." Helps fund libertarian think tank Cato Institute. With Charles gives $1 million to support antitax measures, tuition vouchers for private schools. Survived Los Angeles USAir crash 1991 (34 killed): "I thought calmly, 'I have had a lot of interesting experiences in my life, and now I am about to have the experience of death.' " Pair had bitter fight with brothers *(which see):* Fred, William (David's twin) claimed mismanagement. Charles: "[Bill had] various psychiatric ailments." Dissident brothers settled 1983 for $1 billion. David: "They wanted the cash and they got it. But we got the company." Charles and David split interests in Koch Industries, each estimated $1.8 billion or more.

Lester Crown and family
Inheritance; industrialist. Wilmette, Ill. 70. Married, 7 children. Son of Henry Crown (d. 1990), renowned Chicago financier who created Material Service Corp., building supply firm, with 2 brothers and father 1919. Weathered fierce competition during Depression, gained dominant market share afterward. Career trademark: bold negotiations based on in-depth industry knowledge. Acquired large postwar stakes in real estate, stocks. Merged with General Dynamics 1959, received preferred stock; sold after dispute with GD management. Waited for GD stock to drop, bought, and booted management 1960s; turned company around. Family still holds nearly 7 million shares. Lester: Harvard M.B.A., Northwestern U. trustee. Conservative family man. Family foundation gave $1 million to Northwestern Memorial Hospital for care of high-risk newborns 1993; new nursery named after wife. Trustee, American Jewish Congress. Periodically travels to the Middle East to consult with heads of state. Believed to still control most of family fortune, much in trusts; bought cousins out



Joe McNally/Sygma

Gordon Getty
A writer of operas, he was underestimated as a businessman—until he sold the family oil business at the peak of the price for oil.

1990. Bought out Aspen ski resort stake owned by Marvin Davis *(which see)* 1993. Has stakes in N.Y. (baseball) Yankees, Chicago (basketball) Bulls. Lester and family worth estimated $1.8 billion or more.

Martha R. Ingram and family ★
Inheritance, distribution. Nashville. 60. Widowed; 3 sons, 1 daughter. Late husband E. Bronson Ingram (d. June 15) took over his father's business 1963: oil refining, marketing, barges. With his brother Fritz, brought in textbook supplier 1964, began distribution. Brothers built Ingram Corp. into $1 billion powerhouse, split firm up after Fritz convicted of bribery 1978: Bronson took barges, books; Fritz served 16 months, kept oil operations, suffered big losses. Bronson built his piece into world's largest book distributor, added videotapes; later added computer software and hardware, now largest part of $11 billion (projected 1995 sales) Ingram Industries, world's largest computer wholesale distribution company. Martha: born Charleston, S.C. Vassar College student 1957, met Bronson, a Princeton grad, on blind date in NYC. First woman elected board Nashville Chamber of Commerce, 1975. Other boards: Kennedy Center for the Performing Arts, Baxter International, First American Corp. Ingram Industries board since 1981, elected chairman after Bronson's death. Believed to have inherited his stake in company, worth estimated $1.7 billion.

Gordon Peter Getty
Inheritance. SF. 61. Married, 4 sons. Son of legendary oilman Jean Paul Getty *(see also other Gettys)*, descendant of 18th-century immigrant. "Gordo" joined Getty Oil, rebelled against corporate culture; showed more interest in music than oil. Attended San Francisco's Conservatory of Music 1960s. Became trustee Sarah C. Getty Trust (named for late grandmother), which held 40% of Getty Oil. Touched off Texaco-Pennzoil lawsuit by 1984 sale of Getty Oil to Texaco. Criticized as businessman, but sold business at height of oil prices, doubled family fortune to $3 billion, tripled income. Family suit against him settled 1988 with dissolution into separate trusts run by and for family members. Still active as composer and conductor; Russian National Orchestra performed his opera *Plump Jack*. Also writes poetry, has interest in economics, genetics, anthropology. Oversees his family trust currently valued at $1.2 billion. With personal holdings, worth estimated $1.6 billion.

Peter Haas Sr. and family
Blue jeans. SF. 76. Divorced, remarried; 3 children. M.B.A., cum laude Harvard 1943. Founder Levi Strauss died a bachelor, left jeans company to 4 sons of only sister *(see other Haases)*. Walter Haas Sr. (d. 1979) married Strauss' grandniece, ran Levi Strauss & Co. 1928-55. Son Peter joined after Harvard Business School. Peter's brother Walter Jr. ran marketing, advertising; Peter, numbers man: handled finance, operations. Walter Jr. president 1958-70; Peter president 1970-81. Walter Jr.'s son, Robert, now chairman and CEO, took company private once more in $1.6 billion LBO 1985. Peter still active as director, chairs executive committee of $6 billion brand-name apparel firm, world's largest. Gives to Jewish causes, Smithsonian, United Way. Enjoys time with bevy of Morgan horses. Took junket to Vietnam 1993 with David Rockefeller *(which see)* to check out business opportunities. Good eye: with Levi's expansion into Asia, sales rising, LBO debt paid down, Peter's 22% of company worth estimated $1.6 billion.

Joan Beverly Kroc
Inheritance. Rancho Santa Fe, Calif. 67. Divorced, widowed; 1 daughter from first marriage, 4 granddaughters. Third wife of Ray Kroc (d. 1984), Chicago milkshake machine salesman who bought into McDonald brothers' burger hut in California 1954. Bought them out for $2.7 million 1961. Met Joan in a St. Paul, Minn. club. She was playing the organ, he was opening franchises; "I was stunned by her blonde beauty." Married 1969. Joan: former big political donor. No longer: "Politics is too ridiculous." Instead, gives millions to social causes, especially pediatrics, and Ronald McDonald foundation. A great supporter of late Dr. Salk: "I believed in his dedication to pediatric AIDS research." Gave $1 million to Special Olympics 1995. Past gifts: $18 million for hospice, $1 million for famine relief, $3.1 million for Notre Dame Peace Institute. Also owns $3 million Fabergé egg, "very large" impressionist collection, 141-foot yacht, plane, helicopter. Wealth recently estimated over $1.6 billion.

Harry Brakmann Helmsley
Real estate. NYC; Greenwich, Conn.; Arizona. 85. Divorced, remarried; childless. Reported Alzheimer's disease. Wife Leona, 75—onetime Chesterfield Girl from Brooklyn, described as having "a stevedore's mouth and the compassion of a cluster bomb," did 18 months for tax evasion through 1993, plus $8 million fines, restitution; finished sentence in $54-a-night hotel room—and NYC's posh

Park Lane apartment; 9 p.m. curfew. Harry: started in real estate firm mailroom 1930s; collected rents. Brokered buildings, reinvested commissions for $1,000 down payment first building 1936. Bought unassuming buildings matching unpretentious manner. First wife Quaker; he converted 1940. Brilliant financial mind; pioneered real estate syndication with late Lawrence Wien. Moved up to prime NYC buildings 1950s; Empire State Building 1961 (since sold): "Money's the great motivator." Today Helmsley partnerships: 100 million square feet commercial space, over 100,000 apartments, 5,000 hotel rooms. Divorced 1972, remarried to star broker Leona Roberts, attracted to her "voracity," according to one report. Rumor: all of Helmsley estate to go to Quakers. But expect Leona to land on feet. With real estate stable or slightly up, Harry's fortune estimated over $1.6 billion.

Robert William Galvin

Motorola. Barrington Hills, Ill. 73. Married, 4 children. Father Paul (d. 1959) started company with less than $600 capital 1928. Made car radios, then walkie-talkies WWII. Sold first solid-state TV sets under $200. Robert: attended U. of Notre Dame, U. of Chicago. Never graduated. Learned on the job: "A few of us that didn't have the technical background learned enough of it by osmosis." Went with dad on business trips at age 7. Started in the stockroom, 1940. President, 1956. CEO, 1959. Greatest gift: anticipating change. Sold off TV division to Japanese company 1974. Concentrated on semiconductor, wireless technology; important producer computer chips: PowerPC chip competes with Intel's Pentium. Transformed fat company into limber giant in 1980s. Believer Total Quality Management. Stresses employee education (40 hours/year). Encourages ambitious ideas: Iridium low-flying satellites to allow cellular phone calls to anywhere. Headed task force to restructure U.S. DOE laboratories. Stepped down 1990, but still minds the store. Son Christopher chief executive officer. Robert's shares recently worth $1.5 billion.

William Wrigley and family

Chewing gum. Chicago; Lake Geneva, Wis. 62. B.A. Yale, 1954. Twice divorced, remarried; 3 children. Grandfather William Wrigley Jr. (d. 1932) left Philadelphia for Chicago to sell soap. Offered baking powder as incentive to buy soap; then tried chewing gum as giveaway to sell baking powder. Chewing gum sold best. Offered first Spearmint 1893. Heavy marketing: "Tell 'em quick and tell 'em often." Sent a stick of gum to every person in U.S. phone book 1915. Father Philip K. (d. 1977) ex-

San Francisco Chronicle/SABA

Construction baron Stephen Bechtel Jr.
Now it's time to get the order book up again. Fortunately, construction in Asia is booming.

The Da Vinci by IWC

The watch whose perpetual calendar marked a gigantic step forward in mechanical watchmaking, is now available as a split-seconds chronograph in platinum or gold.

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18 kt. – $30,000
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No doubt we'd be accused of repeating ourselves if we were to list all the fascinating details that separate one of the world's most successful mechanical wristwatches of the past ten years from the rest. Suffice it to say that, since 1985, the standard for automatic, mechanically programmed perpetual calendars and moon phase displays has been set by the Da Vinci from Schaffhausen.

As you might expect, IWC's development engineers have had their eye on the occasion for some time now. And their main preoccupation was how they could possibly pay yet another tribute to the great man whose name is borne by this superlative timepiece: a watch that shows hours, minutes and seconds, records times up to 12 hours, and has displays for the date, day and month, the year in four digits and the phases of the moon. Their answer was to give this watch a tenth hand – a hand that isn't even visible when the watch is in standard time mode. How is that possible, you ask? Simple, we reply. The chronograph mechanism now has a split-seconds function. The extra feature is immediately recognizable from the third button at the 10 o'clock position, which operates the fly-back hand and enables the watch to be used for recording intermediate times. Press the button and the fly-back hand, which starts and runs synchronously with the last chronograph hand, stops. Press it again, and the hand instantaneously catches up with the main hand again, leaving you free to repeat the process at will.

The platinum version of the Da Vinci split-seconds chronograph with its pure silver dial is available in a limited edition of just 500 pieces. In yellow gold, the Da Vinci split-seconds chronograph with its striking white dial, will be unlimited. Its reference number is 3751.

panded company, gave family's Santa Catalina Island to conservation groups. Press-shy William, CEO, sold Chicago Cubs 1982 to pay estate taxes. Chewers across the globe: number one brand in Singapore until banned 1992 to protect subways. Wrigley chewed by more than half U.S. Fourth generation William Jr., 32, is Wrigley VP. Shares recently worth $1.5 billion.

Micky Arison and family ★
Carnival Cruise Lines. Bal Harbor, Fla. 46. Married. 2 children. Son of Carnival founder Ted Arison (now Israeli citizen), who left earlier cruise line he founded—today Norwegian Cruise Line—after dispute with partners. Micky spent high school summers on Dad's ships. Ted founded Carnival 1972 with borrowed money, 1 ship; worried about nepotism; but another Carnival executive secured Micky sales job, also 1972. Still only 3 ships when named president 1979. By 1990 sales climbed to $1 billion. Carnival cruises known for gambling, affordable ticket prices, pegged to middle-class wallets and tastes. The pitch: floating Magic Kingdom for adults. Micky: "It's fun selling fun." Today commands 22 ships as Carnival chairman, CEO. Carnival, affiliated ventures own hotels and resorts. Micky separately owns Carnival Air Lines, formed to serve their Bahamas resort; growing; $147 million sales; airline may go public by next year. Dad Ted, now 71, retired, transferred majority voting control of Carnival last year to son. Micky's shares, etc. recently worth more than $1.4 billion.

Stephen Davison Bechtel Jr.
Riley P. Bechtel and family
Father, son. Engineering, construction. SF. Stephen: 70. Married, 5 children. Son Riley: 43. Married, 3 children. Own one of largest U.S. construction firms. Patriarch Warren Bechtel, Stephen Jr.'s grandfather, headed west from Oklahoma working on railroads; supervised stone-quarrying operation, then bought own steam shovel, founded Bechtel Group. Company built Alaska pipeline, Hoover dam, San Francisco subways. Stephen Jr. took over global firm from Stephen Sr. 1960, made big push into building nuclear facilities: in on 40% of nuclear power plants built in U.S. Also continued international heavy construction. Company diversified into real estate, operates small power plants. Bechtel execs in Reagan's Cabinet: George Shultz, FORBES Chairman Caspar Weinberger. Several major projects in Arab countries in 1970s. Riley CEO 1990. Windfall 1991: won job cleaning up Kuwait after Gulf war, profits jumped 34%. Remodeled U.S. Embassy in Moscow, helping to manage $21 billion construction of Hong Kong airport project; currently building 330-mile natural gas pipeline Thailand. 1994 revenues up 7.4%, to $7.9 billion, but "work booked" down from $9 billion to $7.7 billion: Kuwait largely tidied up. Each Bechtel's share of Bechtel estimated $1.4 billion.

David Rockefeller Sr. **His long association with Chase Manhattan Bank came to an end when Chase was bought by Chemical Bank. Now Mitsubishi is walking away from Rockefeller Center. It seems the Rockefellers won't be far behind. Maybe they'll rename the landmark Manhattan property Sam Zell Center?**

Jacques Lowe/Wrightr Gamp

David Rockefeller Sr. and family
Inheritance; banking, real estate. NYC; Tarrytown, N.Y. 80. Married, 6 children. Grandson of John D. Rockefeller; youngest of 5 brothers *(see Rockefeller family, Laurance, Winthrop)*. Ph.D. economics, U. of Chicago 1940. Chase Manhattan Bank: CEO 1969-80. Became international statesman. Major role NYC real estate, 40% SF's Embarcadero Center. Led family in 1985 REIT of Rockefeller Center Properties; apparently swayed by wishes of cash-hungry younger relatives. Still chairman Rockefeller Group Inc. (now 80% owned by Mitsubishi Estate Co.). Stepped down 1993 from board of Rockefeller Center Properties. David didn't feel he should remain director of both lender and borrower: "One could conceive of a situation when their interests might diverge." Turned over Rockefeller Financial Services (family's main money manager) in 1992 to son David Jr., 54. David Sr. played key role in mobilizing business behind Nafta 1993. Landmark property Rockefeller Center filed for bankruptcy this year; can't meet $1.3 billion mortgage held by REIT Rockefeller Center Properties; egg on collective Rockefeller family face, but family financially

unscathed. Investments in real estate, his branch's trusts, etc. estimated over $1.3 billion.

David Geffen

Music. Malibu, Beverly Hills. 52. Single, no children. As child learned business, negotiating skills watching mother Batya run family's Brooklyn-based corset and brassiere business. Quit college, became CBS usher, receptionist at TV production company; fired for being too aggressive. Hustled way into fabled William Morris mailroom after forging university stationery. Managed music acts, including Laura Nyro, who gave him 50% of her publishing company; sold to CBS; millionaire, age 26. With proceeds founded Asylum Records 1970, home of Linda Ronstadt, the Eagles, Joni Mitchell. Sold 1972 to Steve Ross' Warner Communications for $7 million. Dropped out 1976 after wrongly diagnosed with cancer. Returned 1980; founded Geffen Records: Guns N' Roses, Counting Crows. Also movies *(Interview with the Vampire, Beetlejuice)*, Broadway *(Cats, M. Butterfly)*. Sold to MCA 1990 for stock; netted $710 million when MCA sold to Matsushita. Frequent investor with Richard Rainwater. Formed new entertainment vehicle DreamWorks SKG 1995 with Steven Spielberg, ex-Disneyite Jeffrey Katzenberg. Paul Allen also big investor. Past flings with Cher, Marlo Thomas, now active in AIDS causes. Still credits mom: "My mother taught me how not to get hustled." Extensive art collection. Estimated more than $1.3 billion, while waiting for DreamWorks to work.

Laurence Alan Tisch
Preston Robert Tisch

Brothers. Loews Corp. Close-knit siblings bought Lakewood, N.J. resort with father 1946; expanded to 12-hotel chain by 1955. Gained control Loews by 1960. Today Loews' assets include, along with hotel chain: Lorillard (tobacco), CNA Financial (insurance), Bulova (watches), 18% CBS, etc. 1994 revenue: $13.5 billion. Larry: Westchester County, N.Y. 72. Married, 4 children. NYU degree at 18; earned master's electrical engineering, U. of Pennsylvania 1943; attended Harvard Law School. Strategic planner. Business philosophy: "Profits will follow from quality." Took control CBS 1986; recently agreed to sell network to Westinghouse. Son, James S., currently president Loews. Bob: NYC, Harrison, N.Y. 69. Married; 2 sons, 1 daughter. U. of Michigan. Left 20-month Postmaster General stint 1988 after negotiating union contract that eluded predecessors for 12 years. Has 50% N.Y. (football) Giants. Son Jonathan, son-in-law of Saul Steinberg *(which see)*, runs Loews Hotels. Brothers known for "candy store" management style: first-name, free-flowing communications. Philanthropists: over $45 million donated to NYU. Each Tisch, with Loews stock and other assets and recently worth some $1.3 billion.

Bennett Dorrance
Mary Alice Dorrance Malone

Siblings. Campbell Soup. Grandfather Dr. John T. Dorrance turned down chemistry professorships to work at uncle's Campbell Preserve Co.; invented process for making condensed soup. Bought out uncle 1914. Extravagant nature evident at parties Roaring Twenties; on vacation

David Geffen
He has a dream. More important, he has over $1 billion to realize it.

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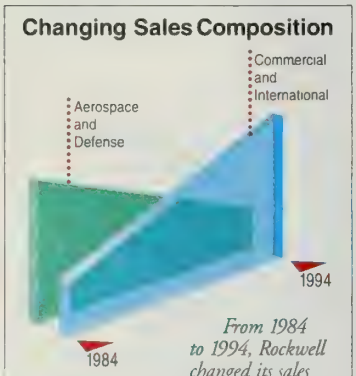
recognize the ch

STRENGTH. Companies that have it possess the power to grow by dramatically transforming their composition. ▲ The way Rockwell, over the last ten years, has changed itself into a dynamic commercial force. ▲ Today, our $12.5 billion company's strength is reflected in a sales mix that has evolved to more than 70 percent commercial and international business. Making us a rapidly growing force in diverse markets ranging from telecommunications and automotive to industrial automation – while maintaining our leadership positions in aerospace and



From 1984 to 1994, Rockwell changed its sales mix to 70 percent commercial and international by leveraging new technologies and products, unique synergies, and global opportunities to aggressively serve its customers.

Automation ▲ Avionics ▲ Telecommunications ▲ Defense Electronics

e an analyst to
nges at Rockwell.

defense. ▲ It's that strength, in fact, which is driving us to become the world's best diversified high-technology company. Whether we're connecting Rockwell data/fax modems to 70% of the world market. Equipping cars from virtually every manufacturer with Rockwell components. Or building a $3.5 billion global industrial automation enterprise with our Allen-Bradley and Reliance Electric businesses. ▲ No wonder our earnings were up 13% over last year. And our shareholders received a 20% return on equity. ▲ It's time to change your perception of Rockwell. For further information about our activities, write to Rockwell, P.O. Box 4251, Dept. FBX, Seal Beach, CA 90740-8251. You'll be surprised how much you see in us.

erospace ▲ Automotive ▲ Graphic Systems

Rockwell

Larry (left) and Preston Tisch **Should the folks at Westinghouse who are buying CBS be asking themselves why these men are laughing?**

1929, took broker's advice to sell stocks; emerged from Crash unscathed. Heavy drinking bouts ruined health; d. 1930. Son John T. (Jack) Dorrance inherited $20,000-per-month allowance, Dad's drinking habit. Jack chairman 1962, but no day-to-day responsibilities. Accomplished hunter, fisherman. After divorce from Mary Alice Bennett 1963, his children John, Bennett and Mary Alice moved to Switzerland with mother. After Jack's death 1989, children united to oppose family members who wanted to sell family stock; assured family control of company *(see Hamilton et al.)*. John T. III (Ippy), 51, became Irish citizen 1994 to avoid U.S. taxes (FORBES, *July 17*). Bennett: Paradise Valley, Ariz. 49. Married, 2 children. Runs Phoenix investment firm. His Campbell shares recently $1.2 billion. Mary Alice: Coatesville, Pa. 45. Married; 2 children, 2 stepchildren. Has horse-breeding operation. Her Campbell shares recently worth $1.2 billion.

James R. Cargill
Margaret Cargill
and families

Inheritance. Cargill, Inc. Descendants of William W. Cargill, Long Island-born immigrant's son, moved west 1865, traded grain; quickly surpassed competition. John MacMillan Sr. took over 1909 after death of father-in-law Cargill. Over decades company has become world's largest grain trader: Cargill's world market share 25%. Also agricultural commodities, financial services, manufacturing, more. Privately held; earnings could exceed $600 million on more than $47 billion sales (cash flow about $1.5 billion). Whitney MacMillan *(which see)* chairman 1977-95. Control via voting stock believed evenly split among 3 Cargill family branches. James and Margaret, first branch *(also see others)*. James: Minneapolis. 71. Married, 3 children. With Cargill since 1947, retired as senior VP 1990; director 1963-95. Owns Dinnaken Properties, builds housing for U. of Minnesota. Expert trout fisherman, owns three J.B. Hudson jewelry stores in Minneapolis. Sister Margaret: La Jolla, Calif. 75. Never married, reclusive. Each worth estimated $1.2 billion.

Laurance Spelman Rockefeller
and family

Inheritance, investments. NYC; Tarrytown, N.Y. 85. Married; 3 daughters, 1 son. Grandson of Standard Oil patriarch John D. Rockefeller *(see fam-*

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Leslie Wexner, with goods
Splitting the Limited empire "is like being born all over again."

ily). With brother David *(which see)*, main investor of his generation. Big returns on early venture capital investments seeded from huge 1934 trust: Eastern Air Lines (sold long before liquidation), McDonnell Douglas, $100 million gain Apple Computer. Also built remote, exclusive resorts West Coast, Caribbean, Hawaii (most sold). Chaired Rockefeller Center Inc. 1953-66. Environmentalist: gave thousands of acres to national parks, reserves. Created park on St. John in Virgin Islands. (Son, Laurance, 50, environmental attorney; political activist. In spare time sells land to "conservation buyers" upstate N.Y.) Also $36 million to Memorial Sloan-Kettering Cancer Center; $21 million to Princeton. Relaxes at Pocantico Hills, family's huge compound where he, brothers grew up. Now open to public. Introspective: supports Zendo, offshoot of Buddhism that preaches self-enlightenment. His, immediate family's portion Rockefeller fortune estimated $1.2 billion.

Leslie Herbert Wexner

The Limited. New Albany, Ohio; NYC. 58. Married; 1 son, 1 daughter. Dropped out of Ohio State law school; worked at parents' clothing store. Disagreement on retailing strategies; with $5,000 borrowed from aunt, opened own store specializing women's sportswear 1963. "I wanted to show my dad." Built into national chain, went public 1969. The Limited empire expanded internally and by acquisition with likes of Victoria's Secret, Lane Bryant, Abercrombie & Fitch, Bath & Body Works, Lerner New York, Cacique, Henri Bendel, Structure. Stagnant earnings in 1990s breaking $7.3 billion empire apart. Recent announcement calls for two separate groups: lingerie/personal care, and women's apparel; parent Limited retains 85% share. "For me, the splitup is a matter of maturation and liberation. It's like being born all over again." Brush with death: stranded atop Vail mountain 1981; vowed for fuller life. Bachelor until 55. Generous contributor: Ohio State University, local Ohio United Way, Jewish causes. Estimated worth at least $1.2 billion.

Paul Mellon

Inheritance. Upperville, Va. 88. Widowed, remarried; 2 children by first wife. Grandfather Thomas Mellon started forerunner of Mellon Bank. Father Andrew: U.S. Treasury Secretary, founder National Gallery *(see Mellon family)*. Paul felt lonely, vulnerable as child, alienated as student (Choate, Yale, Cambridge): "My isolation in university allowed me to be completely unaware of unemployed farmers living at subsistence level only a few miles away as the Depression took its grip." Spent 3 years in his 20s at Mellon Bank (Pittsburgh): little appetite for commerce. Felt grave responsibilities accompanying great wealth; sessions with Carl Jung helped him cope. "Wealth offers no immunity against pain and sorrow." Eventually settled down to life of gentleman farmer, intellectual, art collector. Built on father's extensive collection to create one of most admired collections in existence; famous for French impressionists, British art. Major philanthropist. Has given over $250 million in paintings to Yale, National Gallery, Virginia Museum of Fine Arts. Also helped buy land for Cape Hatteras National Seashore preserve. Anglophile, "Paul would be more comfortable in Georgian England than in 20th-century America." Gave half John Locke's library to Oxford. Still believed worth at least $1.1 billion.

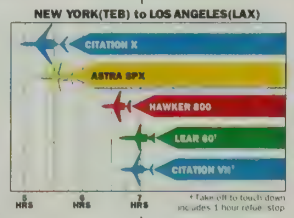
Citation X

Astra SPX

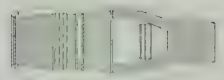
What price speed?

The new Astra SPX is not just fast in its class, it's fast in any class. B/CA says, *"The SPX's speed on trans-continental flights should be competitive with the fastest business jets — regardless of size or price."**

When the Astra SPX touches down at LAX on a non-stop flight from New York, it is only 19 minutes behind the Citation X. The next competitor is just entering Arizona air space. The SPX time is one hour faster than the other manufacturers' mid-size business aircraft. The Lear 60 and Citation VII require a stop** to complete the mission. Astra SPX is the business jet that leaves the others up in the air.



SPX brings a whole new dimension to the world of business aviation. Born of advanced technology, the fuselage fits the human form and achieves the highest degree of aerodynamics. Interior space is maximized while minimizing external frontal drag. As a result, the SPX can fly non-stop** from New York City to Los Angeles at a speed of .82 mach.



TFE 731-40

Climb to the top

Thanks to the new more powerful, highly efficient AlliedSignal 731-40 engines, the SPX offers a range of 3595 miles, 600 miles greater than the Hawker 800. The digitally controlled engines were derived from AlliedSignal's successful turbo fan engines with a history of more than 28 million flight hours. Truly a global performer, the Astra SPX will fly you to London from New York, non-stop. Combining the 731-40 engines with the new wing design, the SPX achieves extraordinary short field performance. On a 1,000 mile mission, it can take off from runways 500 feet shorter than any of its mid-size competitors. In fact, the SPX can take off from shorter fields than the Beechjet 400A and has a lower operating cost per mile than the Citation V Ultra.

Sweet Suite

The Astra SPX has one of the most versatile and capable avionics suites ever installed in a business airplane. Says B/CA, *"The Astra SPX's Pro Line 4 avionics, in our opinion, is one of the most intuitive layouts we've ever seen. This is Pro Line 4 at its best."** Equipped with four 7.25-inch CRTs, of which two are Primary Flight Displays, a vast amount of data is made easy to absorb and use. Your pilots will quickly feel at home in the cockpit.

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CITATION X	ASTRA SPX
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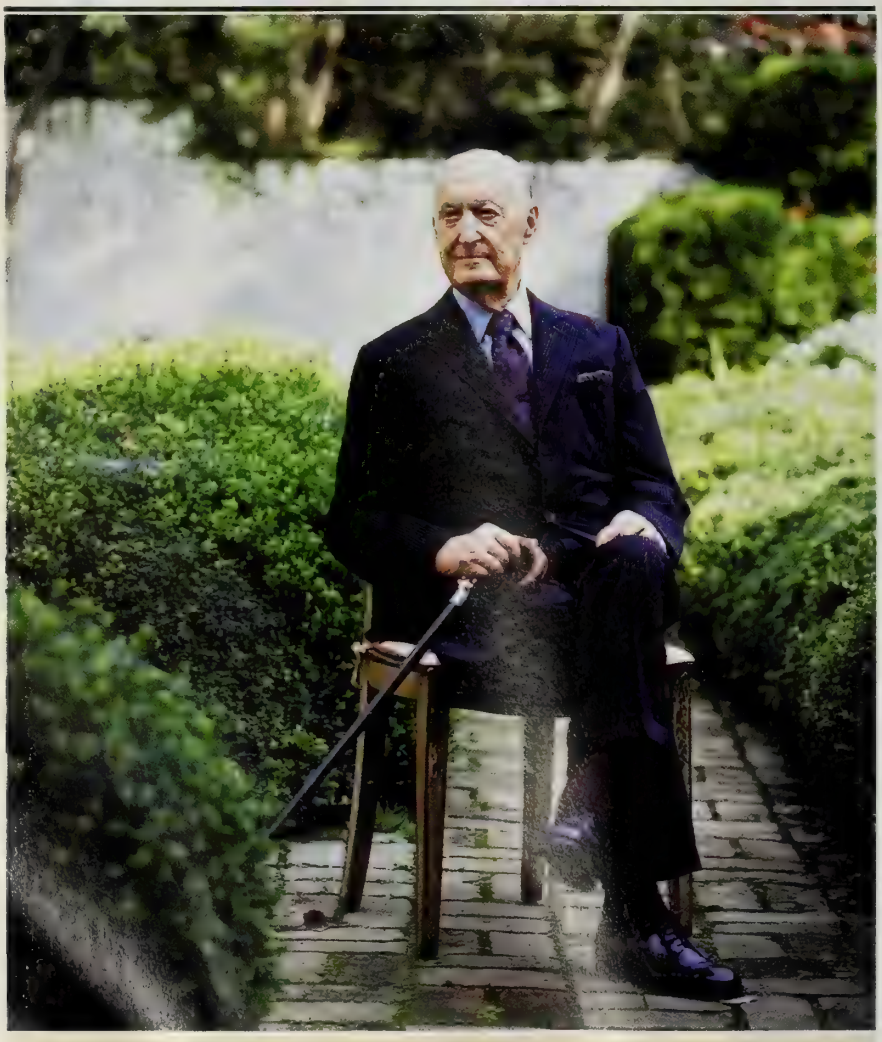
Winthrop Paul Rockefeller
Inheritance. Morrilton, Ark. 46. Divorced, remarried; 3 children by first wife, 2 by second. Great-grandson of John D. Rockefeller and only child of "black sheep" Winthrop (d. 1973, *see Rockefeller family*), who converted rocky mountaintop into Winrock Farms; twice Arkansas GOP governor (1967-71), only Rockefeller brother to work as a manual laborer—as Humble Oil field trainee. Built Hot Springs, Ark. car museum, which houses President Clinton's 1967 Mustang convertible. Winthrop Rockefeller Foundation funds business development projects in Arkansas. Brief marriage to Barbara (Bobo) Sears; European schooling; Oxford dropout after first year. "Downhome Rockefeller"; runs Winrock, one of largest private cattle operations in Southeast. Set up Law Enforcement Assistance Foundation to aid local sheriffs; has accompanied area police on patrols. Republican with rumored political aspirations. Philanthropic. Receives share of 1934 trust, along with other members "Cousins" generation. His cut of family fortune estimated at least $1.1 billion.

Donald Joyce Hall
Hallmark Cards. Mission Hills, Kans. 67. Married, 3 children. Father Joyce Hall (d. 1982) preacher's son, began selling postcards 1906 age 15. Later sold holiday greeting cards; pal Norman Rockwell provided Christmas illustrations. Made card company into household name with national ad campaign 1920s, turned Hallmark into industry juggernaut. Beat WWII rationing by convincing government his greeting cards essential to national morale. Insisted on approving card ideas personally. Don took over CEO post 1966, resigned 1986, now chairman. Tough boss: "The worst thing you can do in front of Don Hall is show emotion." Creative staff of more than 700 cranks out over 21,000 new card designs a year in 20 languages. Sales (1994) $3.8 billion; greeting cards now half of house-to-house first-class mail. Diversified: bought Crayola crayon maker 1984; RHI Entertainment, prominent miniseries and television producer 1994, $365 million. Hallmark employee plan owns one-third company, Donald, sisters *(see Marshall, Reid)* other two-thirds. Donald's third believed worth at least $1.1 billion.



Paul Mellon, art collector, philanthropist
If the art community had a patron saint, it would be Paul Mellon.

Margaret Hunt Hill and family
Inheritance, oil. 79. Widowed, 3 children. Eldest daughter of legendary Texas wildcatter H.L. Hunt's first family *(see Caroline Hunt, Ray Hunt)*. He taught her oil business. Manages trust for lobotomized brother, Hassie; involved in major policy decisions. With sister, stayed away from 3 brothers' celebrated silver debacle 1980. The "boys" (later, the "Three Stooges") ignored H.L.'s advice: "You don't risk losing everything you got to get something you don't have to have." Margaret bought their repossessed land after crash. Reportedly insisted brothers use additional personal assets to secure company; she denies. With Caroline, pulled out her and Hassie's share family oil company 1983: separate oil, real estate operation. Recently posted $120-million-plus bond to secure legal judgment: lost dispute with former son-in-law over nonproducing gas well; under appeal. Son Al runs family-held Global Texas Investments. Margaret's fortune, including Hassie's trust, estimated over $1.1 billion.

James LeVoy Sorenson
Medical devices. Salt Lake City. 74. Married; 8 children, 40 grandchildren: "They're all Mormons. That's

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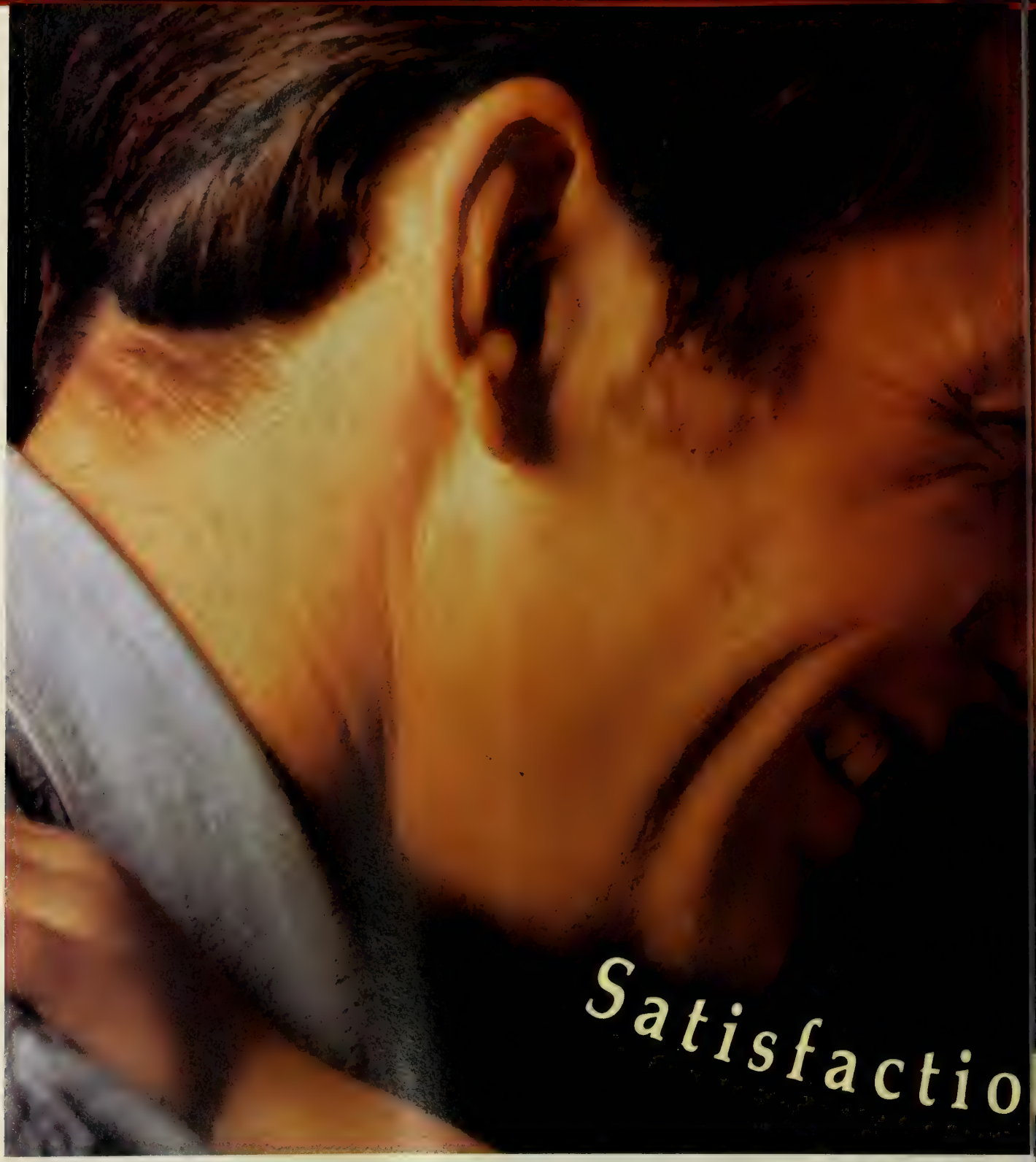

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Donald Hall, of Hallmark Cards
"The worst thing you can do in front of Don Hall is show emotion."

what makes Utah so successful." Raised California. Quit medical school 1942 for missionary work; then Maritime Service. Doctor persuaded him to try pharmaceutical sales. Joined Upjohn, moved to Salt Lake City. On side, sold houses; bought, developed real estate; staked uranium claims, sold to penny-stock promoters. Tried medical devices; sold out 1960. Bought lingerie company, made "modest" styles. Back to medical devices. Abbott Labs offer 1980. Bluffing: "Well, I'm building a $100 million company here"—33 P/E ratio. Abbott bit, his $100 million stock recently $1 billion: "I've never been public. That's why I'm as rich as I am." Helps kids, sons-in-law expand businesses he started. Refers to his many businesses as "baby hobbies," then "elephant hobbies," once have black bottom line. Favorite: I.C. Imaging, face-to-face video communication over phone lines. Believes sign language will become global second language: "Signing is God's language." Estimated over $1.1 billion.

Kathryn McCurry Albertson and family

Albertson's grocery chain. Boise, Idaho. 88. One daughter. Widow of Joseph Albertson; Kay and Joseph met at college (now named Albertson College, thanks to $35 million donations). Joseph dropped out during Depression to manage Kansas Safeway store. In 1939 began Boise grocery with $5,000 life savings, $7,500 loan. In 1969 partnership with Leonard Skaggs *(which see)*, developed grocery store/drugstore under one roof, common checkout line. In peaceable 1977 split, each took 29 stores. Expanded Albertson's into nation's fourth-largest retail food-drug chain: 725 retail stores in 19 states. Died 1993; left Kay half his stock, other assets. Kay keeps low profile, sees old Boise friends regularly. "She's never really gotten a sense of just how much money she's got." With family, believed worth more than $1.1 billion.

Samuel Jayson LeFrak

Real estate. NYC; Long Island. 77. Married, 4 children. Joined immigrant father's construction firm after U. of Maryland, took over 1948. With postwar shortages, bought forests for lumber; later manufactured own bricks, concrete. Developed over 200,000 apartments, became one of largest U.S. apartment owner/managers (owns 61,000 units, manages 32,000). "I'm like a farmer, but rather than reap 2 crops a year, I bring in 12 . . . each month when our rents are due." Developed in Brooklyn, Queens, N.Y. (5,000-unit LeFrak City); later Wall Street area (Battery Park City). Building 600-acre, $10 billion Jersey City, N.J. waterfront community, including 1.2-million-square-foot mall with Melvin Simon *(which see)*. Bought 200 oilfields 1994 to build reserves of home heating oil, gas. Also interests in art, entertainment. Long famed for LeFrak's Golden Rule: "He who has the gold makes the rules." Visible assets estimated $1.1 billion, net.

Craig O. McCaw

Telephony. Bellevue, Wash. 46. Married, no children. Graduate Seattle's Lakeside School, history major, Stanford. Father John Elroy McCaw early radio and cable TV baron. Died 1969, left family heavily in debt. Craig led brothers Bruce, John and Keith *(which see)* in building father's Twin City Cablevision into major cable TV systems operator. Sold cable assets to Jack Kent Cooke *(which see)* for $755 million 1987, reinvested (with help from Michael Milken) in cellular licenses; early partners in Arkansas license included Bill and Hillary Clinton. Sold McCaw Cellular Communications to AT&T, $11.5 billion merger, 1994. Last spring took control of Nextel Communications Inc. McCaw family will invest up to $1 billion to develop Nextel's national

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digital wireless network. "Craig never met a frequency he didn't like." Dyslexic: "I have to explain conceptually what we want to accomplish, and then somebody else has to translate that into a concise organized plan." Experienced yachtsman, pilot. Net worth estimated over $1.1 billion.

Michel Fribourg and family
Continental Grain Co. NYC. 82. Widowed, remarried; 5 children. Michel's great-great-grandfather started trading grain Belgium 1813; grandfather prospered trading wheat for gold during 1848 famine. Family sent managers to found Continental Grain, Chicago 1921; immigrated after fall of Belgium 1940. Michel became U.S. citizen; U.S. intelligence officer WWII. Left service after father's death 1944 to take over business. For almost 30 years specialized in selling grain to Soviet Union. Diversified into other agribusiness (poultry, animal feed, hogs, cattle, etc.). Formed partnership with Tosco Corp. in petroleum trading company (Continental-Tosco Inc.); since dissolved. Nearly $15 billion revenues, almost all from low-margin trading operations. "We have survived by working with our wits." Also stake in Overseas Shipholding Group, nation's largest independent owner, operator of tankers, dry commodity vessels. Michel retired in 1994 as Continental chairman; son Paul now president, COO. Family strives to remain private with fortune estimated over $1.1 billion.

William Clay Ford
Ford Motor Co. 70. Grosse Pointe Shores, Mich. Married to Martha Firestone, 4 children. One of only 2 surviving grandchildren of Henry Ford (d. 1947), founder of motor giant. Brother Henry Ford II (d. 1987) left Navy 1943 to join company following father Edsel's death: "insisted on doing the dirtiest tasks." Became president 1945 of faltering company, replacing grandfather. Engineered turnaround; played key role in reconstruction of downtown Detroit. Reportedly used to settle arguments by saying, "My name is on the building." Well-publicized battle with Iacocca; fired him as president 1978. William: Began at Ford following Yale 1949. Vice president 1953. Reportedly declined caretaker stewardship after brother retired. Retired as chairman of finance committee early 1995. Son William Clay Jr., Sloan (MIT) M.B.A., took over position, emerging as apparent next-generation leader ahead of Edsel II, son of Henry II. Including Detroit (football) Lions, William controls share of Ford worth at least $1 billion.

Margaret Hunt Hill
The next generation is moving forward—including that pesky former son-in-law.

Estée Lauder
Leonard Alan Lauder
Ronald Steven Lauder
Mother, 2 sons. Cosmetics. NYC and the Hamptons. Estée: ageless. "Blue lady" (her color). Widowed. "I never thought I'd make it big. If I felt I had made it, I would be somewhere nice, like St. Moritz, skiing." Josephine Esther Mentzer, born to Czech-Hungarian immigrants in Queens. Peddled skin creams for uncle, attached her name to several brands. Started company with 4 products 1946; pestered department store buyers until she landed orders. Discovered own strength after wealthy beauty insulted her: "I could have helped her, but I didn't. I gave her nothing and, wherever she is, I'm sure her skin looks dreadful." Married Joseph Lauder (d. 1983) after summer resort romance. He: administrator, escort. She: social butterfly, product developer, promoter. Claims to "see" fragrances, consumer trends. Built one of world's largest cosmetics companies: Estée, Clinique, Aramis, Prescriptives, now Origins (natural products, recyclable containers for younger, PC crowd). Self-help booths at department stores popular. Estée no longer in day-to-

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Samuel LeFrak
Work chugs along at Newport City, LeFrak's 10-year, $10 billion office/apartment development in Jersey City.

day operations. Leonard: 62. Married, 2 sons. Current CEO, outspent rivals on R&D, now credited with much of company's growth. Expanding internationally: Russia, Eastern Europe, India, China. Overall sales up modestly, though struggling with decline in department stores in U.S. Wife Evelyn a senior executive; spearheading company effort to raise money for breast cancer research. Son William running Origins, waiting in wings. Ronald: 51. Married, 2 daughters. Left company 1983 to become deputy assistant defense secretary (NATO), ambassador to Austria. Ran for mayor of New York City 1989, badly beaten in primary: spent estimated $350 per vote. Back to Estée. Sponsored term limit referendum for NYC officials 1993; won big. Investing in newly private TV in Eastern, Central Europe. He, mother, brother share over $3 billion.

Maurice (Hank) Greenberg
American International Group. NYC. 70. Married, 4 children. Raised on New York dairy farm. Stormed Normandy beach WWII as Army Ranger. College, New York Law on G.I. bill. Learned insurance business with Continental Casualty Corp. Joined Cornelius Vander Starr's multinational firm (now AIG) 1960. Starr founded company in Shanghai 1919, was the first Westerner to sell insurance to Chinese. Built to international conglomerate. Greenberg rose quickly, succeeded heirless Starr 1968. Nicknamed after Detroit (baseball) Tigers standout "Hammering Hank." Now chairman both AIG and Federal Reserve Bank of New York. Son Jeffrey, 43, once considered father's heir apparent, quit company in the summer; younger son Evan, 40, more authority. Greenberg still expanding, pushing Starr's international angle: "We want to see the American insurance industry flourish overseas . . . but do it with some thought, some conviction and be in it for the long term. If not, don't be in it at all." Hank's AIG stock worth more than $1 billion.

George Soros
Money manager. London; NYC; Southampton, N.Y. 65. Divorced, remarried; 5 children. Hungarian-born, hid from Nazis in family attic. To Paris after war, then London School of Economics; Wall Street analyst 1956, advised Americans on Europe after formation of European Common Market 1957: ". . . for a brief period I ruled as a one-eyed king among the blind." Dropped out, spent 1963-66 revising never-

Daddy fought in the war.

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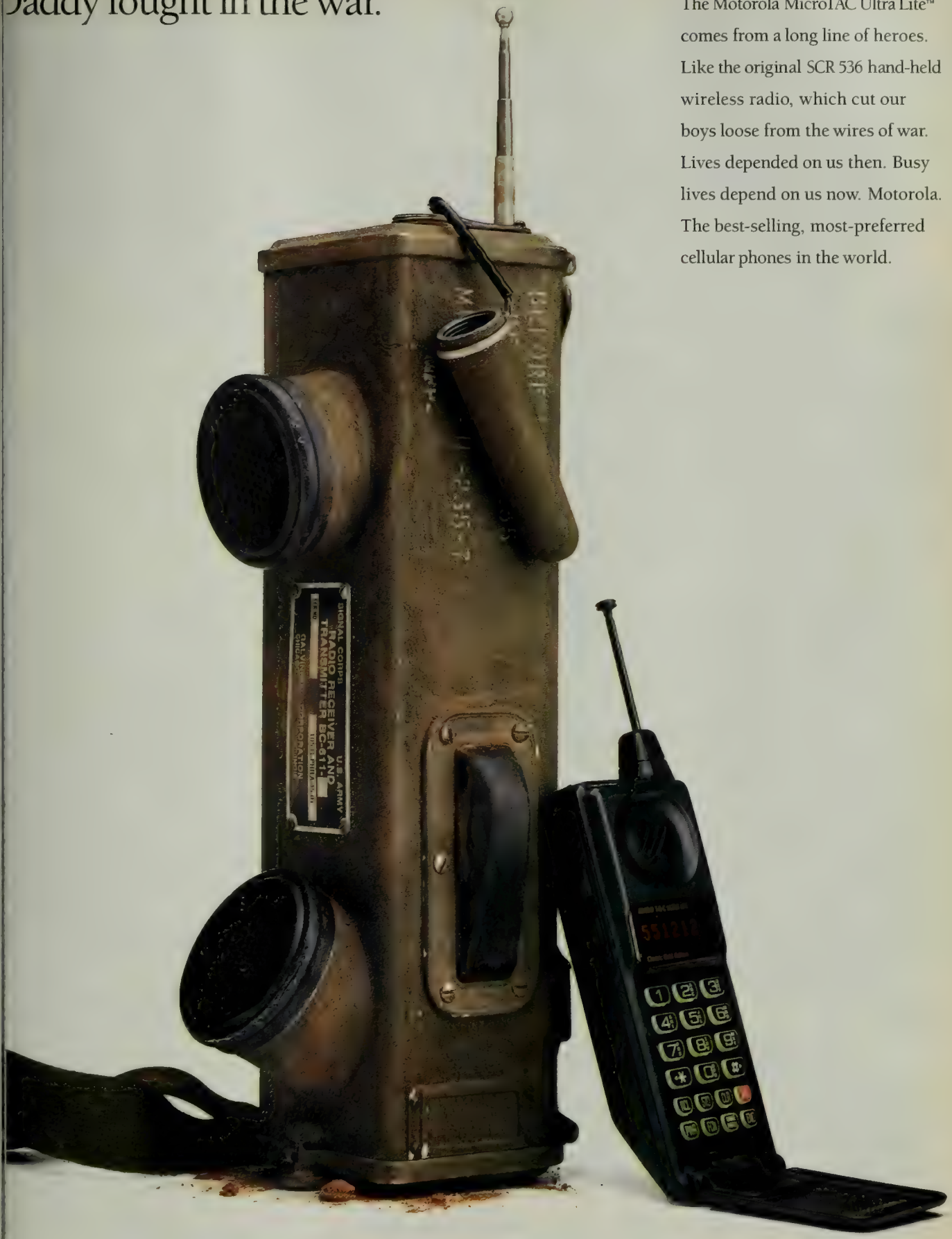

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published *The Burden of Consciousness.* Then, Quantum Fund, Curaçao-based hedge fund 1969. Brilliant long-term record. Regarded with awe as the man who "broke" the British pound, forcing U.K. out of European exchange rate mechanism 1992, making $1 billion. Mostly recovered from $600 million loss betting against yen early 1994. Funds posted poor returns from 1994 through summer 1995. Said to have rebounded Aug. 2 with close to $1 billion gain betting on dollar against yen. New Quota Fund also posting high gains. Considers Karl Popper an influence. Massive charitable donations to Eastern Europe: $100 million for science throughout the former Soviet Union; $50 million humanitarian aid to Bosnia; $200 million endowment to Central European University; etc. Substantially handed over fund investment to right-hand man Stanley Druckenmiller *(which see)* 1989; performance improved: "I became the coach, he became the competitor." George's worth estimated over $1 billion.

Deseret/Stills/Retna

Cosmetics doyenne Estée Lauder
Mall closings have hampered U.S. sales, but in Asia Estée's going gangbusters.

William Morse Davidson
Guardian Industries. Bloomfield Hills, Mich. 72. Thrice divorced, 2 children. Dilettante lawyer, found talent saving failing businesses. Rescued Frank W. Kerr Co., a drug wholesaling firm. Accomplished same with Rupp & Bowman in surgical supplies. Took over uncle's interest in Guardian Industries, then a failing windshield fabricator. Became president 1957, paid off creditors, acquired photo processing, broadened company focus to architectural "float" glass. Took public 1968; private 1985 in $500 million LBO. Has built world's fourth-largest glassmaker: 15% of flat-glass market, 8% auto market; sales over $1 billion with demand robust. Cost-cutting, focused product line aid profits. Also resurgent housing, auto industries. Paid $40 million for patent infringement 1991, $15 million for union-busting. Has 70% Detroit Pistons, one of the most valuable basketball franchises. Estimated $1 billion.

Jack Crawford Taylor and family
Enterprise Rent-A-Car. St. Louis. 73. Divorced, remarried; 2 children. Left Washington U. to fly Navy fighters from U.S.S. *Enterprise.* After war, sold cars, was regional distributor for Cadillac dealer. Started own car leasing with backing from boss, took a 50% pay cut. Confident: "If I failed, I figured that I could always do something else." Offered rentals as temporary replacements for stolen, wrecked cars. Business took off

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Cable television pioneer Bob Magness **Magness would have nearly doubled his $1 billion fortune had TCI's deal with Bell Atlantic not collapsed.**

Ellen Jaskol/Rocky Mountain News

1970s after courts made insurance companies pay for replacement rentals. Avoided overcrowded airport markets. Much care taken training and motivating employees. Son Andy, 48, started working for Dad "as soon as I could drive." Now president and chief executive officer. Expansion strategy: "Have a good time. I'll see you in two years." Good time, indeed: revenues last year $2.4 billion, a threefold increase in 5 years. Company spreading nationwide. Jack and family worth estimated at $1 billion.

Fred A. Lennon

Pipe fittings, valves. Hunting Valley, Ohio. 89. Married, 2 children. Started at IBM in customer service, then salesman for Cleveland office machine company. Met Cullen Crawford, inventor of innovative high-pressure pipe fitting, "Swagelok." Became partners, started Crawford Fitting 1947; quickly bought Crawford out for $2,000. Expanded using aggressive distributor system: vendors can sell only Crawford products, can be terminated with 60 days' notice. Now some 140 motivated distributors worldwide. Superior prices for superior products, often for specialized uses. Big contracts U.S. Navy, Du Pont, etc. Huge donor Republican Party. Company has no debt, big margins; "an absolute cash cow." Fanatically secretive: Crawford split into dozens of companies; work spread among small factories, many without signs on buildings, to conceal volume. Never talks to press. Unofficial company motto: "Secrecy is success. Success is secrecy." Apparently works: Lennon's net worth estimated over $1 billion. *(For more, see p. 46.)*

Alfred Lerner

Banking, real estate. Shaker Heights, Ohio. 62. Married, 2 children. Raised in 3 rooms behind father's Queens, N.Y. candy store; Columbia grad 1955; Marines. Earned $75 per week selling furniture. "I was just happy to be making a living." Saved, bought 59-unit Cleveland apartment building 1965. Founded Realty Refund Trust 1971. By 1979 could buy 11,000 Maryland, Pennsylvania units with Andre Meyer (Lazard Frères) for $176 million. Was director small Cleveland bank: "That whetted my appetite. I became a student of the banking business." Got control Equitable Bancorp 1981, promised turnaround. Invested $75 million Progressive Corp. 1988 (high-risk insurance), sold 1992. Merged Equitable with Md. bank 1989; spun off MBNA 1991 as rescue tactic. After series of troubles has 18 million shares MBNA (largest U.S. issuer affinity credit cards), other assets. Recently took 13,000 Pa., Md., Va. apartments public via Town & Country REIT. Interest in Cleveland (football) Browns and stadium; $10 million to Cleveland Hospital 1993. Wears Countess Mara ties he wore in 1950s. "I'm no Joe Tycoon." But worth $1 billion.

Michael Rubens Bloomberg

Financial news. NYC. 53. Divorced, 2 daughters. Johns Hopkins (engineering/physics), Harvard Business School. Salomon Brothers processing clerk 1966. By 1971 head of equity trading, sales; lost power struggle, left 1981 with some $20 million. Developed computerized data service for Treasury bond traders; Merrill Lynch bought 30%. Business took off; 51,000-plus Bloomberg terminals offer vast amounts sophisticated market data, including Letterman's Top Ten and, since August, FORBES. Adding video, audio; New York City business news radio station. Also 24-hour/day satellite and cable all-news television; debut this fall of European version of TV; started Sunday newspaper supplement (6 million circulation). Doesn't have secretary, partly because "it impedes access to clients and customers." Still growing 35% a year, focus on Southeast Asia and Western Eu-

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rope. Wall Street ardently awaits IPO. Bloomberg demurs: "I don't need the capital." Guess not. Estimated net worth near $1 billion.

Bob John Magness
TCI. Older, richer partner of John Malone *(which see)*. Englewood, Colo. 71. Widowed, remarried; 2 sons. Born Clinton, Okla.; rancher, cottonseed seller. Patton's Third Army. Started cable system west Texas 1955. Strategy: install systems in small towns, depreciate, sell; buy bigger systems. Recognized own managerial shortcomings, hired brilliant strategist, tough negotiator John Malone as CEO. Tele-Communications, Inc. now largest U.S. cable operator. Led 1987 bailout of Ted Turner *(which see)*, came away with Turner stock. Now negotiating to sell Turner holding to Time Warner: watch out, Jerry Levin. Magness raises cattle, horses; collects Western art. Ex-roughneck recently worth over $1 billion, and would have been worth around twice as much had planned merger with Bell Atlantic not been called off last year.

Theodore W. Waitt
Gateway 2000. North Sioux City, S.D. 32. Married, 2 children. Father, Norm Sr., talked Ted, 18, out of joining family cattle business. Ted U. of Iowa dropout one semester short of degree; started computer mail-order business in farmhouse with friend Michael Hammond; $10,000 loan secured by grandmother's CD 1985. Brother Norman joined 1986, designed accounting system. First-year revenue $100,000; by 1994, $2.7 billion, fifth-ranked in industry, ahead of Dell *(which see)* with 5% of market. Low South Dakota overhead, service fast and good. Perennial problem: keeping up with the growth. Expanding abroad: Western Europe since 1993, just began PC sales in Japan. Computers shipped in Holstein-spotted boxes inspired by family business. Ted once appeared in company ad as ponytailed janitor. Norman left 1991 amid tensions with brother. Ted's shares, etc. estimated at least $1 billion.

Curtis LeRoy Carlson
Entrepreneur. Long Lake, Minn. 81. Married, 2 children. Son of Swedish immigrant grocer; started business life early—subcontracting paper routes to brothers for a profit. U. of Minn. 1937; Procter & Gamble soap salesman, $110/month. Secured $50 loan, started Gold Bond Trading Stamps 1938. "The minute I was out on my own, I knew I'd found my own element." From 1960s on built one-man travel, hotel, restaurant, marketing conglomerate: today Radisson (hotels); Country Kitchen, TGI Friday's (restaurants); Carlson Travel Network (merged with France's Accor Group 1994). "Work 5 days a week, stay even with your competition; work Saturdays and get ahead." Son-in-law Edwin (Skip) Gage, former Carlson heir apparent, left to form competitor, Gage Marketing; took many managers with him. Hospitality Group CEO Juergen Bartels jumped ship May 1995; now heads competitor Westin Hotel Co. Daughter Marilyn, 56, looks like successor. Carlson Marketing experienced decline in revenues but coming back. Curt, fully recovered from quadruple bypass, still at helm with net worth still estimated about $1 billion.

James Schnepf/Gamma Liaison

Entrepreneur Curtis Carlson
He's still a billionaire despite management defections and a quadruple bypass.

ROC PLANS REGIONAL HUB

The Republic of China on Taiwan, having achieved economic and political miracles in the five decades since the end of World War II, is now gearing up to enter the twenty-first century as a state-of-the-art Asia Pacific Regional Operations Center. The plan is a natural, if challenging, extension of the dominant role in regional economics and politics that the ROC's government and people have achieved through hard work and determination over the past five decades.

Established as the first constitutional republic in Asia in 1912, the Republic of China moved its central government to Taiwan in 1949, following a long war with Japan and an insurrection by communist rebels. With scarce natural resources, a territory roughly the size of Lake Michigan, and an impoverished population, and under the constant threat of invasion from the communists on the mainland and the eventual loss of its seat in the United Nations, the ROC set out to reverse its fortunes. It first concentrated on economic development. While raising the average annual income of its citizens from less than US$100 around 1950 to approximately $12,000 today, the ROC became the 14th largest trading nation in the world with foreign exchange reserves exceeding US$100 billion, second only to Japan.

Becoming a major world economy with improved living standards and affluence, the ROC turned to political liberalization and democratization. Beginning in the late 1980s under President Chiang Ching-kuo and continuing under current President Lee Teng-hui, the ruling Kuomintang party allowed the formation of other political parties, liberated the press, renounced the martial law, opened the door to informal contacts with mainland China, and held multiparty elections for all political offices.

This political liberalization set the stage for launching another economic strategy to become a hub of regional trade and finance. The Asia-Pacific Regional Operations Center Plan was announced on January 5, 1995. The Plan seeks to transform our economy by fostering a freer flow of goods, services, human capital, funds, and information by integrating with regional economies and facilitating world trade.

Key to the success of the APROC Plan is the maximization of Taiwan's strengths: a unique geographical location, a growing domestic market, an entrepreneurial spirit, a well-educated workforce, abundant capital, maturing technologies, modern managerial skills, a global trading network, cultural bonds with mainland China and other important Asian markets, and most important, a thriving democracy that sustains our drive.

The APROC Plan calls for building Taiwan into a hub for regional manufacturing, sea and air transportation, finances, telecommunications, and the media, but its realization will come about through macroeconomic adjustments. I therefore announced five guidelines on April 21, 1995.

In the future, we will rely on competition rather than industrial planning to guide economic strategies. Economic measures will become facilitative and constructive rather than regulatory and restrictive. Government will not own or manage business in market sectors it regulates. Aggressive deregulation will enhance market efficiency and national competitiveness. The government will reduce paperwork and streamline the process of bureaucratic review and approval. Government measures and rules will be simplified and made transparent.

The APROC Plan is a cross-century initiative for our nation. The Asia-Pacific region promises to be the most dynamic and the highest growth area in the century to come. The Republic of China on Taiwan is the gateway to the region. I encourage the global business community to take advantage of our comparative advantages in implementing their corporate strategies for this region.

Chan Lien

Lien Chan
Premier, Republic of China

Taiwan
Asian Powerhouse

Courtesy Government Information Office

The New Commercial Area in Taipei

by Michael Bociurkiw

By now, few people in the world have not heard of the economic and political miracle evolving in the Republic of China on Taiwan. The story of how this island of meager natural resources and just over 21 million people, and with a land mass slightly less than one-third the area of New York State, has managed to transform itself into an economic powerhouse and one of the world's most exuberant democracies has captured the imagination of governments and ordinary people worldwide.

Lately, the news coming out of Taiwan – whether in terms of economic statistics or electoral results – is generally good. The world's mass-circulation journals are chronicling its astonishing march toward a full-fledged democracy. This journey will reach a climax next year when the first direct presidential elections are held. In recent years, martial law has been abolished, press restraints have been lifted, opposition parties legalized and political prisoners freed. In most eyes, this represents a dramatic transformation.

As one Hong Kong-based magazine recently put it, nowhere else in the world has such an authoritarian government ceded power so willingly. Another accomplishment occurred earlier this year, when for the first time President Lee Teng-hui was allowed to make a private visit to the United States.

The visit, in which Lee traveled to his alma mater, Cornell University, to give a lecture, was encouraged by members of U.S. Congress who lauded Taiwan's accomplishments: its transition from martial law to a flowering democracy, from an isolated backwater economy into one of the world's wealthiest economies, from a predominantly agricultural island into the world's number one supplier of personal computers and electronic components. Taiwan's international trade totaled US$180 billion last year and its foreign exchange reserves now exceed US$100 billion.

"These are no minor accomplishments for any nation, yet the Republic of China on Taiwan does not enjoy the diplomatic recognition that is due from the international community," Lee said in his Cornell speech. In the aftermath of Lee's U.S. trip, senior officials in Taiwan predicted further improvements in the bilateral relationship: "Reality and normality in our bilateral contacts can easily lead to improvements in all areas where we share interests, including the commercial sector," said foreign affairs minister Fredrick Chien in a recent speech to the American Chamber of Commerce.

Having achieved success against incredible odds, the people of Taiwan are looking forward to the day when their efforts will be rewarded by admission into the world's leading political and economic organizations, including the United Nations and the World Trade Organization. Officials such as chief government spokesman Jason Hu echo the popular sentiment that a day will come when their president can make official visits to the capitals of any of its trading partners.

In recent months, moves to elevate Taiwan into the international arena have received strong endorsement in U.S. political and media circles. Fear of offending Beijing has made many world leaders slow to fully back Taiwan's aspirations, but the winds of change are finally beginning to blow in Taiwan's favor.

Ready to Become An Economic Hub

With its export-led economy, Taiwan is forging ahead on a path most developed countries would envy: In the first quarter of 1995, exports were up 23.3% year-on-year.

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Taiwan

It has also managed to transform its labor-intensive manufacturing base into high-value-added production. The economy's vital signs show little cause for worry – so much so that the Economist Intelligence Unit awarded Taiwan an "A" grade risk rating in its mid-1995 survey. The EIU cited 6.5% real GDP growth last year, and forecast 6.8% this year. With US$13,054 GDP per capita, the island easily ranks as one of the most attractive consumer markets. "Consumer spending is booming here," says one American analyst. "This is one of the most open and diversified markets in Asia at the moment. There are very few barriers to U.S. products here."

Though Taiwan's economic dependence on the United States has diminished in recent years, the U.S. continues to hold a special place – even more so now that Taiwan has slashed its trade surplus with the United States. Taiwan ranks as America's sixth-largest trading partner, trading US$42.4 billion worth of goods.

On a per capita basis, Taiwan is one of the largest buyers of American-made goods in the world. One reason is that there exist very few standards barriers:

National Day Celebration

One example often cited is that American television sets can be used in Taiwan and vice-versa. Human ties also play a part in enhancing the U.S.-Taiwan relationship: By some estimates as many as 90% of cabinet members hold graduate degrees from U.S. colleges.

These same officials say they are eager to see the bilateral relationship evolve beyond simply trade and into direct foreign investment, especially as the island begins to implement a strategy of becoming a regional operations center to complement Singapore and Hong Kong in such activities as value-added manufacturing, sea and a transportation, and telecommunication financial and media services.

"We are poised to become a majc regional operations center as well as t buy more American products and service to develop our infrastructure," say President Lee.

Aside from possessing substanti economic resources, a strategic gec graphical location in the heart of Asi and high-quality manpower resource foreign investors in Taiwan can ava themselves of a host of incentives, say Pin-Kung Chiang, the minister of ecc nomic affairs. These include tax holiday of up to five years in some cases, financia subsidies and concessional loans.

He acknowledges Taiwan has rela tively high labor and land prices, bu explains that this has been offset by th fact that the island has been movin toward more knowledge-intensive indus tries and that land prices are still a bar gain compared to Japan. Investors wil notice that the pace of liberalization of th economy has quickened, given Taiwan' eagerness to bring its regulations in lin with GATT and OECD requirements.

TAIWAN

AN ISLAND OF FASCINATION

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"In principal, no further prohibitions against investment by foreign nationals and overseas Chinese will be imposed," says Chiang. Adds Chien: "We are liberalizing trade and investment regulations to lower tariffs, remove non-tariff barriers, and open up the service industry. We will be easing restrictions on capital movement to liberalize foreign exchange controls in stages. Furthermore, we are intent on establishing a modern legal environment for the new information society, including full protection of intellectual property rights."

Also promised are easing of restrictions on the entry and exit of foreign personnel as well as improvements in legislation regarding work permits for foreign nationals. Even store signs and traffic directions are being translated into English to make Taiwan a more hospitable environment for expatriates. "This goes to show that our government sincerely cares for the foreign community residing in Taiwan. To become a regional hub, no deed is too small," says Chien.

A Beautiful Island

When Taiwan is mentioned, most Americans think of the bustling capital, Taipei, or the massive industrial and high-tech facilities that dot this small island. Relatively few have had the pleasure of discovering its hidden secrets, like the awe-inspiring, 5,000-foot precipices and waterfalls in Taroko Gorge, part of a national park on Taiwan's east coast, or the tranquil surroundings of Sun Moon Lake or the sun-kissed beaches and coral reefs in the south's Kenting National Park, Taiwan's version of Hawaii. Venture a bit beyond the popular cities and beaches and into rugged mountain ranges, and you may mistake the verdant surroundings for the new Zealand countryside. It's no wonder that 16th century Portuguese explorers labeled Taiwan "Ilha Formosa" or "beautiful island."

Most American visitors to Taiwan are business travelers, and national tourism authorities are trying to encourage them and others to discover Taiwan's little-known attractions. This has been made easier now that visa restrictions for nationals of many countries have been lifted.

In 1994, more than 290,000 Americans visited Taiwan, almost a 7% increase over the previous year. The flow of U.S. visitors continued to increase in the first five months of this year, with more than 122,000 American visitors.

The top tourist attraction in Taipei is the incredible National Palace Museum, which houses the world's finest collection of Chinese artifacts.

Many hotels, such as the Grand

CHINATRUST COMMERCIAL BANK

Mr. Jeffrey Koo

An outstanding example of the breathtaking changes occurring in Taiwan is Chinatrust Commercial Bank, which, since privatization, has moved aggressively to expand its share of the island's consumer banking market as well as its presence overseas.

Chinatrust is a financial institution with anything but modest goals: Chairman and CEO Jeffrey Koo says Chinatrust wants to become one of the top 100 banks in the world. The Taipei-based bank is well on its way to achieving this goal. Last year it reported assets of US$12.6 billion and total deposits and trust funds of US$10 billion. To better serve foreign investors, Chinatrust has come up with a wide range of services to act as a gateway to Taiwan. These include trade financing, foreign exchange, money markets, syndicated loans, security underwriting and correspondent banking. "These are the same services you would expect back home," says Koo.

As one of the oldest financial houses in Taiwan, the bank — with its solid reputation and network of 28 local branches — can help foreign firms better understand Taiwan and the region. A well-trained international business staff, headed by Koo, the newly elected chairman of the board of Visa International Asia-Pacific, has sound experience in international business management. Many of the bank's senior staff have been sent overseas for training to such schools as Harvard, MIT and Wharton.

Chinatrust is constantly expanding its network of overseas offices and is introducing innovative services — such as foreign currency ATM machines, round-the-clock automatic safety deposit boxes and 24-hour banking services — at its local branches.

The bank's international growth is in part shaped by the migration patterns of overseas Chinese. Says Koo, who describes his firm as a global Chinese bank: "Wherever you find a Chinese community, we will have an office there to serve them." As a further move to realize his ambition, Jeffrey Koo has personally invested in the successful China Trust Bank (no kin to Chinatrust Commercial Bank) in New York and California, providing customers with a unique, versatile financial link between the East and West Coasts of the United States.

At home, Chinatrust has moved aggressively to capture the lucrative credit card market. It is now the largest issuer in Taiwan, with half the market. This helped boost profits last year, despite a slowdown in the world economy. Chinatrust announced a pre-tax profit of NT$2.53 billion, an increase of NT$850 million over the previous year.

For more information on how Chinatrust can become your gateway to Taiwan, phone 886-2-718-8658 or fax 886-2-716-3116.

A Global Chinese Bank

CHINATRUST COMMERCIAL BANK

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Celebrating the UN's 50th Ann
Don't Forget the Missing Piece!

Ever had the feeling something's missing? The United Nations of today was designed 50 years ago to reflect the diversity of all nations and promote peace. Yet, at the world body's 50th anniversary celebration this year in San Francisco, one of UN's founding members, the Republic of China, is being kept on the sidelines.

Even though one missing piece might not seem to affect the overall picture that much, that piece still represents the 21 million people of the Republic of China on Taiwan, more than the population of any of nearly two-thirds of the UN membership. Until ROC citizens are given a voice at the UN, the world body can hardly be truly universal.

The people of Taiwan have much to offer the world if it will only let them give: experience in accomplishing remarkable economic growth, and peacefully achieving democracy to name just a couple. As we savor this milestone for the UN and look to the future, doesn't it make a lot of sense to complete the picture now?

Return the Republic of China on Taiwan to the UN!

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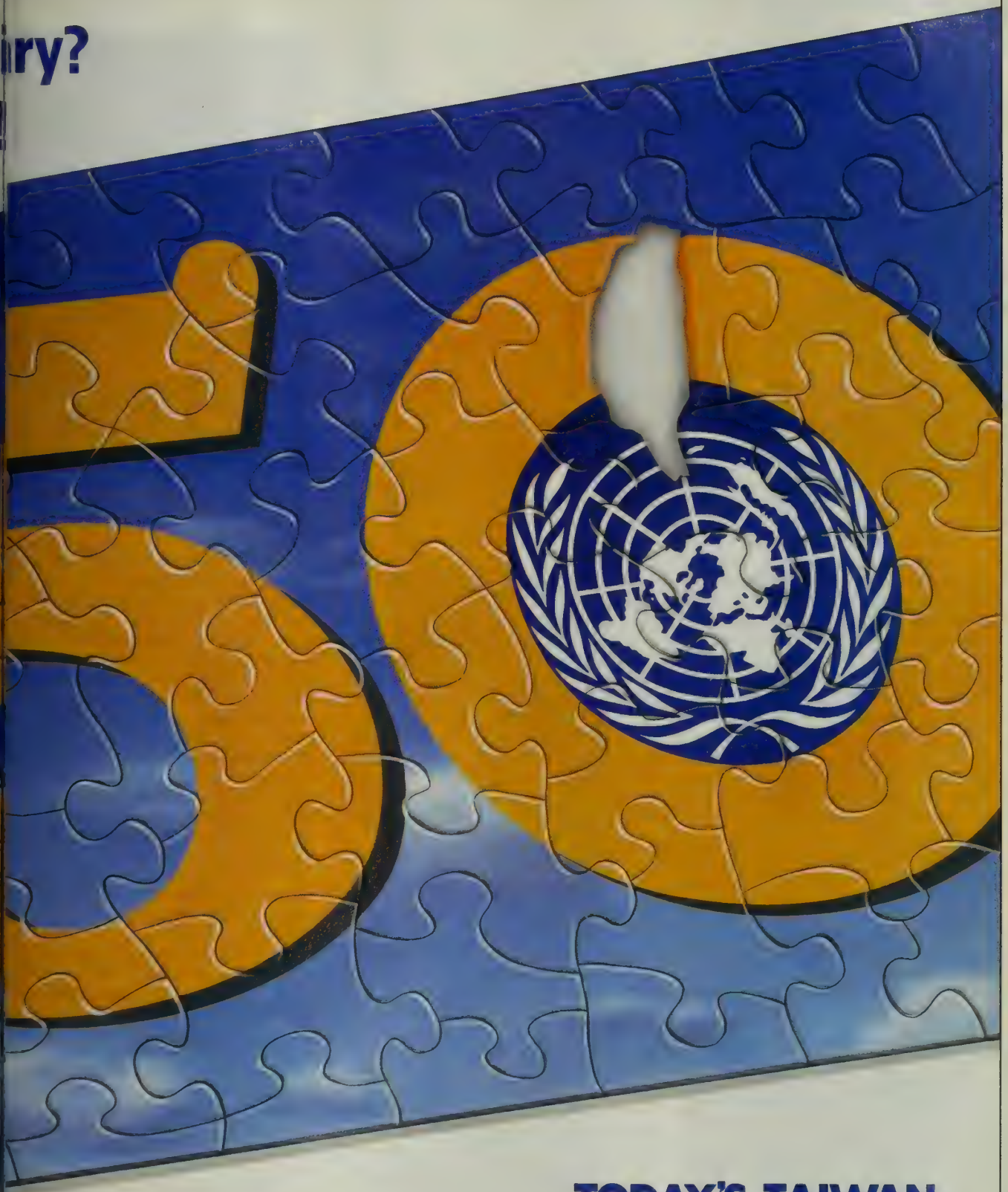


TODAY'S TAIWAN

REPUBLIC OF CHINA

Taiwan

Hyatt Taipei and Lai Lai Sheraton, can arrange visits to the island's many golf courses, some of which offer flood-lit links and seaside views. Other itineraries promoted by the Tourism Bureau include whitewater rafting on the Hsiukuluan River, hiking, cultural tours and visits to the stronghold of Quemoy (Kimmen) islands near the coast of mainland China. Tourists are also beginning to discover the tenacious spirit of Taiwan's nine remaining aboriginal tribes, whose culture and language are still very much alive, especially during festival periods.

"In Taiwan, you'll see a combination of old and new, the Western and the traditional ways of life," says Hunter Eu, deputy director general of Taiwan's Tourism Bureau.

Even scuba divers are being enticed to the island to discover such attractions as the pristine waters and the more than 200 different species of colorful coral off the volcanic island of Green Island and other scuba-diving areas.

Future plans include the development of a large theme park near Taichung and development of new recreational areas and resorts on the coast and in southern Taiwan. Worried about the expense of visiting Taiwan? Eu promises accommodation and meal prices below those in Tokyo and Hong Kong. "In terms of facilities, the hotels in Taiwan are very, very competitive," says Eu.

What is more, English-language signage and tourist guides are being increased, and flying around on the island has never been easier with the proliferation of domestic airlines.

Adds Eu, "Aside from finding a dynamic society and great Chinese cuisine, foreign visitors will also discover that Taiwan is one of the safest and most friendly places in the world to visit."

Hsinchu Science-Based Park

"It's been a good year!" This is how Steve Hsieh has been summing up every year ever since the U.S.-educated engineer arrived to take the helm of one of Taiwan's biggest success stories.

Hsinchu Science-Based Park

The energetic Hsieh is director general of the Science Park Administration, which runs Taiwan's own Silicon Valley on the fringes of Taipei. On the carefully manicured grounds, scientists and engineers conduct research and manufacture many of the high-tech products that have transformed Taiwan into the world's leading supplier of advanced computer and electronic components: from semiconductors and high-speed modems to cutting-edge products such as portable satellite phones, infrared cameras, digital multiplexers, fingerprint access control systems and image scanners.

Since the park was established in 1980 to attract investment in high-tech companies and spur the growth of high-tech industry in Taiwan, demand has increased to the point that the government has been forced to find land elsewhere on the island for additional parks. Recently, an additional 494 acres were procured near the existing park at Hsinchu and are now under development.

By the end of July 1996, the science park administration hopes to hold the groundbreaking ceremonies on a second complex in southern Taiwan, which will serve as the center for integrated circuit businesses on the island. This year, firms at the Hsinchu park are expected to report a record 50% growth in sales, as much as US$9 billion – up from US$6.7 billion in 1993. Newcomers are mostly involved in the manufacture of integrated circuits, optoelectronics and computers and peripherals.

By the year 2003, Hsieh hopes to have sales of US$50 billion and a labor force of 80,000 – more than double the current number. By that time, the park is expected to be the center of high-tech industry in the entire Asia-Pacific region. With this rate of growth, Hsieh and his staff are racing to come up with the extra land and infrastructure to meet demand. New power plants and water pipelines are being built to keep industries going.

Companies working out of the park at Hsinchu have gained a reputation for innovation: In 1993 alone they were granted more than 200 patents. Some 20 park companies have already received the coveted ISO 9000 approval. Even biotechnology firms have found a home in the park. By the end of last year there were nine firms at Hsinchu, recording total sales of US$14 million and a growth rate of 29%. Genelabs of the U.S. recently announced plans to transfer biological drug production techniques, in cooperation with Genelabs Taiwan and other local firms. "Biotechnology will be a star industry of the 21st century," says Hsieh adding that plans for a special biotechnology park have been approved by Taiwan's Executive Yuan.

Grand Hyatt Hotel Taipei

Why has demand for space in Hsinchu been so intense? Hsieh replies that the 939-acre facility offers ease of access, plentiful technological resources and an attractive working environment. No fewer than three educational and research institutions are located in the immediate area, providing park tenants with backup R&D and personnel training. Firms admitted into the park either move into standard factories or custom built facilities. The service agencies available to them include automated customs clearance, computer network services and warehousing, security – even an electronic document transfer system.

Word of the park's attractions and promising opportunities has attracted many U.S.-educated Taiwan-born engineers. By 1994, the number of returned expatriates in the park reached 1,362 and the number of firms launched by the returnees hit 77. This has helped Taiwan overcome an island-wide shortage of skilled personnel. Hsieh said this flow of human resources has also done much to boost the levels of technology and R&D in the park.

"Many companies in the park will eventually become multinationals, with their headquarters in Taiwan. We hope to eventually see some in the list of the world's top 500 companies," says Hsieh. He hopes more American firms will follow the lead of the 27 U.S. companies already in the park and take a look at the attractions of Hsinchu.

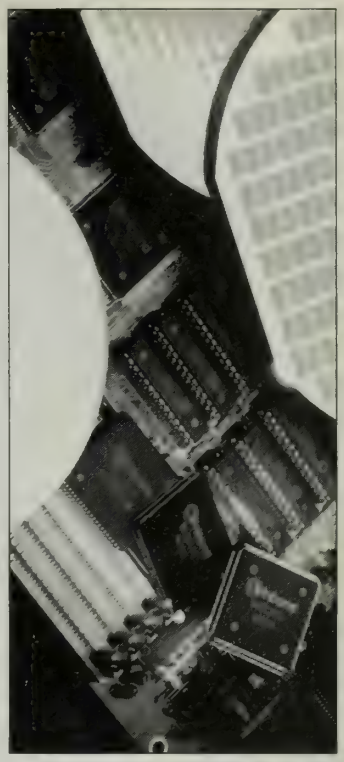
Courtesy China External Trade Development Council

The Taipei World Trade Center

The Taipei World Trade Center – a four-in-one business complex managed by the China External Trade Development Council (CETRA) – is often the first exposure many foreign business people have to Taiwan. Every day, more than 3,000 international business people pass through this state-of-the-art facility, located on the edge of Taipei's central business district. As the business gateway to Taiwan for international business people, CETRA is where traders, conventioneers, exhibitors and conference-goers come to conduct business, learn more about the local market and even find local partners for possible joint ventures.

"We always remember that time is money for business people," says Tom Lin, deputy secretary general of CETRA's exhibition department. "They usually spend quite a bit of time running from one place to another. We built this facility so that practically all products made in Taiwan can be found under one roof. And we are always ready to help them find the right supplier."

Indeed, the upper levels of CETRA's Exhibition Hall are a microcosm of Taiwan's booming manufacturing sector: More than 300,000 products from hundreds of local firms are on display on several floors, as well as many foreign products. Known as the International Trade Mart, these floors house more than 1,000 showrooms and 1,600 display booths, ranking as the largest collection of sample products under one roof in Asia. There are few times during the year when the adjoining Exhibition Hall is not crammed with displays from dozens of



At our park business blossoms

Taiwan enjoys a deserved reputation for expertise in computer related industries. And the key to this phenomenal success is reflected in the spectacular growth of the Hsinchu Science-based Industrial Park.

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annual trade shows.

Given Taiwan's booming high-tech sector, many of the 20 Taipei International Trade Shows organized each year are computer-related. Shows featuring toys, jewelry and timepieces also are traditionally big draws. Lin says the center's annual bicycle show is the third-largest of its kind in the world. In all, more than one million visitors pass through the exhibition hall each year. Business is so good that the government is considering constructing a second exhibition center for Taipei. The complex also houses the Taipei International Convention Center, the 34-story International Trade Building and the 1,000-room Grand Hyatt Hotel Taipei.

World Trade Center Complex

The convention center, also managed by CETRA and with a capacity for some 10,000 delegates, is attracting some of the world's most prestigious gatherings, thanks to its central location, extensive facilities and position next to the Grand Hyatt. Last year alone, the TWTC was the venue for the annual convention of Rotary International and the Silver Jubilee General Assembly of the World Trade Centers Association.

Next year, sales agents for global Acer Computer will travel to Taipei from around the world to meet in CETRA's convention facilities. The services available to visitors from CETRA, which was founded 25 years ago to promote Taiwan's foreign trade, are many and varied: They range from Asia's most comprehensive trade library and consultation services to trade specialists, customized market surveys and a trade service center. Lin sums up these functions as "one-stop sourcing."

As Taiwan moves toward establishing itself as a regional operations center, CETRA's role in promoting closer ties between local and foreign companies will become ever more crucial. In the quarter century since it was established, a breathtaking rise in foreign trade volume has been registered, reaching US$178.5 billion in 1994. Last year, exports jumped 17% over the previous year, marking the gradual end to a slowdown that lasted several years.

One reason behind the growth in exports is that Taiwan-made products are gradually developing a higher profile overseas. An image enhancement plan involving CETRA has gone a long way in drawing consumers' attention to the many high-quality products made on the island. Citing a survey conducted last March, Lin says more than 80% of people polled recognized Taiwan products as world-class products using innovative technology.

American firms and business people can tap CETRA's expertise at any of its four offices, located in New York, Miami, San Francisco and Chicago.

Taiwan Cement Corporation

As Taiwan embarks on a massive, multi-billion-dollar infrastructure development plan, the provision of high-quality cement will be crucial. This is one of the reasons why Taiwan Cement Corp. has made the local market a focus of its business. Last year it sold almost 98% of its output – which includes various types of cement – to the domestic market. "The domestic market is always the first priority," says Chairman Koo Chen-fu.

Since it was established in 1946, Taiwan Cement has expanded its product base, selling cement products, paper and paper bags, sludge treatment agents and limestone. Through various subsidiaries, the group also produces fine ceramics powder, electronic component parts, and interior decoration materials. Its largest plant in Suao has a total annual production capacity of 3.8-million metric tons.

In its latest fiscal year, Taiwan Cement recorded a profit of more than NT$2700 million. But the firm is not content to rest on its laurels. Several new projects are under way, including a new Taiwan Cement Building, and the construction of a 20,000-ton cement silo at Tai-Chung Harbor. For all of 1995, Taiwan Cement plans to produce and sell 5.9 million metric tons of cement, and generate a pre-tax profit of more than NT$2,410 million. Expansion into the booming mainland Chinese cement market has been undertaken by its subsidiary, Hong Kong Cement Manufacturing Corp.

Amid all of this, the firm's management has taken the time to introduce environmental protection measures – such as installing dust-collection equipment on its plants and cultivating green areas at its mine sites. "We should cherish our environment," says Koo.

Photo Courtesy China External Trade Development Council

Design: Pagnano & Pagnano, Inc., NYC

Tower Records owner Russell Solomon celebrating on the big screen
Having conquered record retailing with his megastore concept, Solomon now has set his sights on multimedia. The first of his WOW! stores opened in Las Vegas in August.

Donald John Tyson
Barbara Tyson
Tyson Foods. Brother, sister-in-law. Don: Springdale, Ark. 65. Married, 3 children. Barbara: Fayetteville, Ark. 46. Widowed, no children. Took over husband Randal's shares after Randal died in choking accident. John, Don's father, started Tyson Feed & Hatchery in 1930s. Don left U. of Arkansas senior year to join company 1952. "We are fifth-generation farmers. . . . That's all we know." Don took over 1967 after car-train wreck killed father, stepmother. Expanded mainly through acquisition. Currently nation's largest chicken producer. Supplies most major fast-food chains: "It's like dating all the high school cheerleaders at once. I believe in coexistence." Tyson ships 70% of all U.S. chicken exported to Japan: "Japan has finally realized they can't produce chicken." All execs must wear khaki farm shirt with first name stitched on: "If we all wore suits, we'd sit here in the office . . . we don't make money here. We make it out in the field." Has lived in Springdale since he was a baby: "I'm kind of a hometown guy." Tyson's general counsel involved in Hillary Clinton's extraordinary cattle futures plays; allegations of preferential treatment from then Governor Clinton and his current administration surfaced. Don stepped down as chairman April, remains senior chairman. Don's Tyson shares recently worth $975 million; Barbara's, $785 million.

Samuel Zell
Real estate, investments. Chicago. 54. Divorced, 3 children. Son of Polish immigrants, peddled Playboy in grade school for 200% profit. With U. of Michigan frat brother Robert H. Lurie (d. 1990) saw inflation, bought distressed Sunbelt, Midwest real estate 1970s, rehabbed for fraction of replacement cost, sold for big gains, picked up more. Applied principle to companies, notably Itel. On birthday holds treasure hunt; has been known to play war games with paintball-pellet guns. Back big from real estate bust: 2 REITs public; 3 vulture funds with Merrill Lynch. Zell/Chilmark investing in public stocks, including 24 million shares Broadway Stores; plans now to sell controlling stake to

Federated Department Stores after poor performance. Is real estate returning? Bought 21-story Manhattan building late 1994; planned $250 million investment in bankrupt Rockefeller Center REIT briefly challenged by New York-based developer Jerry Speyer. Zell considered tough; biker; wears jeans to office. Zell coworker: "His door is always open." Estimated $975 million.

Edward Lewis Gaylord
Broadcasting, publishing. Oklahoma City. 76. Married, 4 children. For years in shadow of father, E.K., who bought into Daily Oklahoman 1903, became state power broker. Added TV, radio, more newspapers. E.L. took over at father's death 1974, age 101. Loves country music, bought Grand Ole Opry, Opryland USA, Nashville (cable) Network 1983. Made over $100 million exchanging Telerate stock for Dow Jones shares, reportedly sold for additional $50 million gain 1993. Took Gaylord Entertainment public 1991. Ed, wife Thelma have over 17 million shares; children, 14 million. Daily Oklahoman still accepts no liquor ads on Sundays. Dislikes "liberal bubbleheads." Estimated $940 million.

Charles Feeney
Duty Free Shoppers. London. 64. Married, 5 children. Supplemented his GI Bill income at Cornell by selling sandwiches to students who were studying at night. Opened duty-free shop with Cornell hotel administration classmate Robert Miller in Hong Kong 1960. Targeted Japanese tourists; rewarded tour guides with hefty commissions. DFS became the world's largest duty-free retailer. Retired from day-to-day operations 1970s to manage investments from huge cash flow. Visible holdings: Legent Corp., Compuware, via holding company General Atlantic. Also InterPacific: owns, manages South Pacific hotels, resorts. Duty Free Shoppers struggling with weak Japanese tourism, changing demographics. Feeney flies economy; has been described as reclusive, high-strung, fast-talker; estimated over $910 million.

Randolph Apperson Hearst
William Randolph Hearst III
Austin Hearst
George Randoph Hearst Jr.
Phoebe Hearst Cooke
Millicent V. Boudjakdji
David Whitmire Hearst Jr.
and families
Inheritance. Children and grandchildren of William Randolph Hearst, whose father, George Hearst (prospector, land baron, U.S. senator), took failing San Francisco Examiner from gambling debtor 1880. Only child, Harvard-expelled "Billie Buster," took over 1887 after writing to Dad: "I have a strange fondness for our little newspaper. I am convinced I could run a newspaper successfully." Conviction correct: built nation's largest newspaper chain. Country's most controversial media mogul: outsensationalized former employer Pulitzer *(see family)* in great NYC newspaper wars. Promoted Spanish-American War to increase circulation: "You furnish the pictures and I'll furnish the war." Model for Orson Welles' *Citizen Kane,* built $30 million pleasure dome, San Simeon, now owned by state of California. Died 1951; left control in foundation run by cronies. William Hearst Jr. (d. 1993): "None of us knew the meaning of financial need. We asked and things simply appeared." Heirs bought back 1974. Company now under professional management. Hearst Corp. 12 dailies, 5 weeklies; glossy consumer magazines (Cosmopolitan, Esquire, Town & Country); other publications (Motor Crash Estimating Guides, etc.). Also TV, radio stations, real estate, timberland. Interest in cable networks: ESPN, Arts & Entertainment, Lifetime. Recently investing in interactive media: "The more diverse we are, the better we're going to be." Book division (William Morrow & Co., Avon) taken off block after failed sale attempt 1994. San Antonio Light shut down 1993; San Antonio Express acquired next day. Five family branches, each 20% beneficiary of trust estimated over $4.5 billion. 1) W.R. Hearst Sr.'s surviving son Randolph: NYC. 79. Twice divorced, remarried; 5 daughters (including infamous Patty) by first wife. Chairman Hearst Corp. Believed worth over $900 million. 2) Family of

William Jr., former Hearst chairman, Pulitzer Prize-winning journalist, head of family trust: "I don't need a title. My father gave me one when I was born." Survived by 2 sons: William Randolph Hearst III: SF. 46. Married, 3 children. Stepped down as publisher of San Francisco Examiner December 1994. Computer buff interested in new media. Austin Hearst:

Textile king Roger Milliken surveys the wreckage
One of Milliken's largest factories in Georgia burned to the ground in February, idling 700 workers and causing some $200 million in damages. After the smoke cleared, Milliken & Co. still remained the country's biggest privately held textile company, with estimated sales of $2.8 billion.

NYC. 43. Married, 1 child. Vice president Hearst Entertainment & Syndication. Estimated over $450 million each. 3) Twin children of George Randolph Sr. (d. 1972). George Jr.: LA. 68. Widowed, divorced, remarried; 4 children. Ran Herald-Examiner 1962-77, supervises real estate. Sister Phoebe: SF. 68. Divorced, remarried; 1 daughter. Major role with current husband in family's 1974 trust buyback. Estimated $450 million. 4) Children of David Whitmire Sr. (d. 1986). Son David Jr.: LA. 50. Single. Sister Millicent: LA. 55. Married, 3 children. Also $450 million each. 5) Four children of John Hearst (d. 1958) share $900 million.

David Howard Murdock
Real estate, takeovers. Bel Air, Calif.; NYC. 72. Divorced, widowed, remarried; 2 sons. High school dropout; moved to Phoenix after WWII to build houses. Founded bank, accumulated $100 million, but lost almost all when market collapsed 1964. Took last million to LA, invested in real estate; also small companies, now Pacific Holding. Made $50 million as white knight in Continental Group buyout 1984. Merged Iowa Beef Processors into Occidental Petroleum, made $100 million. Now, as chairman, CEO Dole Food, owns 23%. Also lots of real estate, Arabian horses. "As long as we want to achieve, we're alive. If we're satisfied, we're already half dead." Still kicking, with estimated $900 million.

Leonard Norman Stern
Pet supplies, real estate. NYC. 57. Divorced, remarried; 3 children. Father from Germany with 2,100 canaries 1926. Leonard took over floundering Hartz Mountain 1959, built pet supplies semimonopoly; antitrust fines. Bought N.J. Meadowlands acreage from 1963: developed 33 million commercial sq. ft. Took Hartz public 1972, private 1979. Paid $55 million for Village Voice 1985. Gave alma mater NYU $30 million 1988, name now on business school. Recently sold Harmon Publishing for $104 million, says over $60 million profit. Bought L.A. Weekly; launching Orange County weekly. Building $50 million hotel Manhattan's Soho. Sons Edward, Emanuel taking over day-to-day. Net worth estimated around $900 million.

Amos Barr Hostetter Jr.
Continental Cablevision. Boston. 58. Married, 2 children. Son of stockbroker from Short Hills, N.J. Harvard M.B.A. "Bud" tried utility finance, then started cable company with frat brother H. Irving Grousbeck 1963. Each put up $4,000, as did Bud's father. Built, acquired franchises. Grousbeck left 1981 to teach, kept 10%, as Dow Jones bought 24.5% (sold part 1986). Acquired McClatchys' *(see family)* cable 1986, American Cable Systems 1988. Bought out Dow Jones for $300 million 1989. Biggest private U.S. cable operator; 3.3 million subscribers, adding Providence Journal's 770,000; also expanding into Argentina, Australia, Singapore. Bud's net worth expanding, too: estimated $900 million.

Barbara Piasecka Johnson
Inheritance. Princeton, N.J. 58. Widowed, childless. Third wife of John Seward Johnson (d. 1983), Johnson & Johnson heir. Art history M.A. U. of Wroclaw, Poland; to U.S. 1968. Upstairs chambermaid; soon, scuba partner. Married 1971, 8 days after his divorce. He was 76; she, 34. Lovebirds built $15 million "Jasna Polana" estate near Princeton. Ugly contest with his children over will. Offer to save famous Gdansk shipyards 1989 rejected: entailed $1/hour wages, 2,000 layoffs. Paid $15 million for 18th-

Rupert Murdoch with Deng Xiaoping's daughter Deng Maomao **In a move that strengthened his ever-expanding Asian media properties, Murdoch entered into a joint venture with Beijing's state-sanctioned newspaper.**

Arnold Magnier/Gamma Liaison

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century cabinet 1990: "This is to show you the quality—not the quantity—of my money." Plans to turn estate into exclusive golf course. If still has half husband's Johnson & Johnson stock, could be worth $900 million.

Susan Thompson Buffett
Marriage. SF, Omaha, Nebr. 63. Married to Warren Buffett *(which see)*, friends though separated; 3 children. Daughter of Omaha educator; her parents knew Warren's. Met while rooming with his sister at Northwestern. Married 1952. Deeply involved in civil rights movement; couple's political shift to left rattled family. Heads Buffett Foundation: nuclear disarmament, family planning. Once sought singing career, now spending time on foundation. Left Warren, moved to San Francisco 1977. Lives on West Coast, sees Warren regularly: "It works well this way. She sort of roams; she's a free spirit." Warren plans to leave his billions to Susan, then to her foundation. Her Berkshire Hathaway shares recently worth $900 million.

Harry Wayne Huizenga
Blockbuster Entertainment, WMX Technologies. Ft. Lauderdale, Fla. 57. Married, 4 children. College dropout; joined trash-hauling friend. Bought "beat-up old truck," built into Waste Management (now WMX), largest U.S. waste company; age 31. Quit 1984. Bought into small Dallas video-store chain. Saw future was big stores, inventory; national chain: Blockbuster. Agreed Viacom merger 1993; delayed by weak Viacom stock. Planned giant sports-entertainment complex near Ft. Lauderdale fell through. Owns Miami (football) Dolphins, Joe Robbie stadium, Florida (hockey) Panthers, majority (baseball) Marlins. Back to garbage: invested in Republic Waste; stock surged. Estimated at $880 million.

James McGoe/Gamma Liaison

Michael Bloomberg
Bloomberg's news terminals, 51,000 strong, now deliver everything from stock quotes to David Letterman's Top 10 list.

Thomas F. Frist Jr. and family
Columbia/HCA. Nashville. 57. Married; 2 sons, 1 daughter. Vanderbilt; Washington U. medical school. Air Force flight surgeon. Returned to Nashville 1968. Joined father, family pal Jack Massey to found Hospital Corp. of America: showed hospitals can be run profitably. Public 1969. Tom Jr. focused on acquisition, development. By 1973, 51 hospitals. Chief executive officer 1987. In 1988 led $5.1 billion leveraged buyout. Public again 1992; merger with Columbia Healthcare Corp. February 1994. Optimistic: "The train is out of the station. Regardless of what Clinton accomplishes on the government side, the private sector's leading the way." Newly elected Senator Bill Frist his brother. Shares recently worth $875 million.

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Dorrance Hill Hamilton
Hope Hill van Beuren
Charlotte Colket Weber
Diana Strawbridge Norris
George Strawbridge Jr.
Campbell Soup. Five of 9 grandchildren of John Dorrance Sr., whose canned soup became part of American landscape. Left third-largest estate in U.S. 1930, over 50% went to John Jr. *(see Bennett Dorrance and Mary Alice Dorrance Malone);* one-eighth to each of 4 daughters, all deceased; their children, grandchildren inherited. After John Jr. (Jack) died 1989, family divided on whether to sell its almost 60% Campbell. Diana backed off, leaving Dorrance, Hope only sale advocates. Dorrance (Dodo): Wayne, Pa.; Newport, R.I. 67. Married, 3 children. Oldest of 9 cousins, only one born in John Sr.'s lifetime; may be most influential of the dissidents. Her stock, other assets recently estimated $865 million. Her sister Hope (Happy): NYC, Newport. 61. Married, 3 children. Son Archbold director global soup at Campbell; only family member in company. Stock, other assets estimated $815 million. Their cousin Diana: Palm Beach, Fla. 56. Divorced; 2 sons, 1 daughter. Horse farm "Runnymede" Coatesville, Pa., ski chalet Vail. Her stock, other assets estimated $435 million. Brother George Strawbridge Jr.: 57; divorced, remarried; opposed sale. Widener University adjunct professor of Latin American History and Political Science; private investments, stock, etc., $445 million. Charlotte: Ocala, Fla.; NYC. 52. Married, 4 children. Studied at Sorbonne; donated $20 million Chinese art to Metropolitan Museum; rest of collection believed easily worth over $150 million. Overall, estimated at least $875 million. Charlotte's brother Tristram, 57, married, 3 children. After Trinity College attempted entrepreneurship with mixed results. Founded Altair Airlines 1966, filed bankruptcy 1982. Believed to retain shares recently worth $310 million.

Ray Noorda, former Novell chief executive, enjoying retirement
Although he left the top spot at Novell after reports of memory loss in 1993, Noorda was collected enough to start a new company called Canopy Technologies, a software services company.

Harold Clark Simmons
Investments. Dallas; Montecito, Calif. 64. Twice divorced, remarried; 4 daughters, 2 stepchildren. Son of Texas teachers; scraped together $5,000, bought Dallas drugstore 1960. Built 100-store chain; sold for $50 million 1973. Built conglomerate with hostile takeovers. Most assets in Valhi Inc., public holding company: Medite (lumber), Tremont (titanium), NL Industries (chemicals), Sybra (Arby's restaurants), Dresser Industries (oilfield equipment), Keystone Consolidated (steel rods, wire products), Amalgamated Sugar. Philanthropist: arthritis (longtime sufferer), cancer research; $41 million to U. of Texas Southwestern Medical Center 1988. Family man. Net worth estimated $870 million.

Ronnie Chan and family ★
Real estate: Hong Kong. 45. M.B.A. USC, 1976. Naturalized U.S. citizen. "I thought I would never go back." But family business in Hong Kong: Father ran Hang Lung Development (offices, flats, hotels) until death 1986. Uncle T.T. chairman until Ronnie, with control through trust, took over 1991. Refocused investments from West to Asia, especially Hong Kong. Moving into China after frequent travels there: "That process convinced me that the open economic policy is truly pervasive and irreversible." Doesn't believe in inherited wealth: "It's the

best way to poison your family. I told my kids early on—you're not going to get a dime." Ronnie and family's holdings recently estimated over $860 million.

James Martin Moran
Toyotas. Hillsboro Beach, Fla. 77. Widowed, remarried; 3 children. Pumped gas age 14. Wangled own gas station, used-car dealership, then Hudson franchise. Then Ford. Own early-TV spokesman—"The Courtesy Man," local Chicago idol. Cancer diagnosis 1966, went to Florida. Remission. Acquired regional distributorship (Southeast Toyota Distributors) 1968. Built to world's largest independent: 200,000-plus cars/year. Tax-evasion conviction 1984; many lawsuits charged strong-arming of dealers: $150 million settlements. Japanese renewed franchise ahead of schedule 1993. Reportedly cleaned up act. Daughter Pat Moran president, CEO family business. Estimated over $850 million.

Robert Henry Dedman Sr.
ClubCorp International. Dallas. 69. Married, 2 children. Grew up Arkansas poor, to Texas during teens. Earned economics, engineering degrees, L.L.B. from U. of Texas while selling insurance and real estate and serving as commissioned Navy officer. Lawyer. Opened Brookhaven Country Club as sideline 1957. Profitable; others sold him clubs to get professional management. Added city clubs 1965. Now ClubCorp International worldwide: 80 country clubs, 82 city, 27 athletic clubs, 37 public golf courses, 4 international clubs, 8 resorts. Also banking: Texas S&L Franklin Federal Bancorp. Son Bob Jr. president, heir apparent. Bob Sr. gives millions to health and education. His, family's 93% estimated over $850 million.

Charles R. Schwab
Discount broker. Atherton, Calif. 58. Divorced, remarried; 5 children. Stanford B.A., golf team. M.B.A. 1961. Early ventures: Drive-through animal park, walk-in law firm. In 1971 started traditional brokerage; became discount house 1974 to "offer an avenue [to] duck your financial affairs from some guy who has a very clear interest in converting your capital into his personal income." Sold to Bank of America 1983; bought back 1987 in $280 million leveraged buyout. Known as low-cost, high tech, innovative: has offered round-the-clock service to customers since the early 1980s. Rumored takeover target in early 1995. Also chairman PERC, a nonprofit agency for parents of children with learning difficulties: dyslexic himself. His Schwab shares recently worth $845 million.

Carl Ray Pohlad and family
Banking, investments. Minneapolis. 80. Married, 3 children. Grew up West Des Moines, Iowa. Father, RR brakeman; mother, laundress; Carl, football scholarship Gonzaga U. Dropped out; sold used cars; decorated WWII. Found calling when brother-in-law bank CEO died: Carl stepped in 1955; turned around, built banking fortune. Took over ailing transport concern, MEI; restructured as Pepsi bottler 1970s; diversified into candy, snack foods. Sold bottling 1986, food 1990. Tried ill-fated hair care partnership: lawsuits, bankruptcy. "You can't bat 1000 all the time." Banks healthy, expanding Texas, California. Owns Minnesota (baseball) Twins. Carries lucky buckeye nut; estimated $845 million.

Eugene Paul (J. Paul Jr.) Getty
Inheritance. London. 63. Divorced, widowed, remarried. Four children by first wife, 1 by second. Third son of oil baron Jean Paul Getty (d. 1976) *(see other Gettys)*. Ran Getty Oil Italian operations; got into Sixties counterculture, drugs. Divorced; married actress Talitha Pol 1966. Became addicts; she died, heroin overdose, 1971. Namesake son kidnapped 1973; ear cut off in ransom demand. Eugene became virtual recluse. Recovered recent years; married companion, former model, December. Cricket enthusiast, collector rare books. Major philanthropist: $200 million in decade; Honorary Knight Commander of British Empire. Partially controls $1.2 billion trust; other assets. Estimated some $840 million.

Frank Batten Sr. and family
Media. Virginia Beach, Va. 68. Married, 3 children. Uncle Samuel Slover arrived Virginia 1900. Was offered 50% of Newport News (now Virginian-Pilot) if he halted paper's losses within year; succeeded. Raised nephew Frank: Harvard M.B.A.; publisher age 27, 1954. Frank expanded Landmark Communications. Now 7 dailies, 23 weeklies, etc. First cable franchise 1964; sold Tele-Cable, over 740,000 subscribers, to TCI 1994 for over $1 billion. Also owns Weather Channel, Travel Channel; expanding into on-

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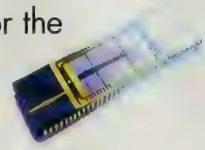

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line offerings. Nashville, Las Vegas TV stations up in value, estimated $180 million together. Son Frank Jr. newspaperman and heir apparent. Frank Sr.'s 35% Landmark estimated at least $810 million.

Charles Francis Dolan
Cable TV. Oyster Bay, N.Y. 69. Married, 6 children. Growing up in Cleveland, convinced city paper to run his weekly Boy Scout column for $2/week at age 15. To NYC 1952, made industrial films. Breakthrough 1960: wired news service into NYC hotels. Won Manhattan cable franchise 1961; featured Knicks, Rangers games. Created limited partnerships to finance high-cost growth. Created Home Box Office 1970; sold to Time Inc. 1973. Built Cablevision Systems, took public 1985. With ITT, bought Madison Square Garden 1995 for $1 billion. Now, via MSG and SportsChannel networks, controls local distribution of all N.Y.-area professional baseball, basketball, hockey. Shares recently worth $810 million.

W. Duncan MacMillan
John Hugh MacMillan III
Marion MacMillan Pictet
Whitney MacMillan
Cargill MacMillan Jr.
Pauline MacMillan Keinath
and families
Inheritance. Cargill, Inc., world's largest grain trader. Whitney MacMillan, chairman 1963-95. Control split among 3 family branches. First branch: siblings James R. and Margaret Cargill *(which see)*. Second branch: Duncan MacMillan: Wayzata, Minn. 65. Married, 4 children. Has worked for Cargill since 1953, director since 1966; vice chairman Waycrosse, Inc., family investment firm. Wrote 2-volume family history. Brother John Hugh: Hillsboro Beach, Fla. 67. Twice divorced, remarried; 9 children. Not active in company. Barge company in bankruptcy. Sister Marion: Hamilton Beach, Bermuda. 63. Divorced; 1 daughter, another child deceased. Owns, manages real estate holdings worldwide, many farming related. Third branch: Whitney MacMillan: Minneapolis. 66. Married, 2 children. Noted expert on East-West commercial relations; various U.S., international positions with company; CEO 1977 to August 1995. Brother Cargill: Wayzata. 68. Divorced, remarried; 4 children. Senior VP Cargill 1973-88. Retired, still active in company affairs. Philanthropic interests, public TV, banks. Sister Pauline: St. Louis. 61. Married. 4 children. Quiet lifestyle, works with handicapped children. Not active in company. Each branch shares fortune worth $2.4 billion or more.

Fayez Shalaby Sarofim
Money manager. Houston. 66. Divorced, remarried; 5 children. Egyptian-born son of wealthy landowner. Harvard business school; naturalized 1961. Anderson Clayton 1951, advised pension funds. Launched own company 1958 with $100,000 from father. "The Sphinx" had early coup: landed Rice U.'s massive endowment. Early investor Teledyne, Intel. Very conservative, long-term strategist. Raging bull; thinks DJIA could hit 10,000 by 2000; $2 billion bond portfolio. Fund lost estimated $475 million on "Marlboro Friday," 1992, when Philip Morris cut cigarette prices. Still believes brand-name franchises—P&G, Coca-Cola, Philip Morris—far undervalued. Fayez now estimated $800 million or more.

Richard Rainwater
Investments. Fort Worth, Santa Barbara. 51. Divorced, remarried; 3 children. Son of middle-class wholesaler. Math, physics major U. of Texas; Stanford M.B.A. Met Sid Bass *(which*

Lawter International Chairman Daniel Terra with Dorrance Hill Hamilton
Cultural ambassador at large under Ronald Reagan, this year Terra gave $22 million to Philadelphia's University of the Arts.

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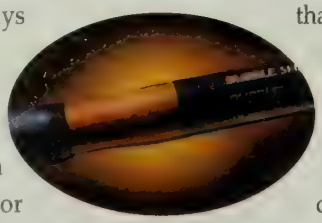

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see) at Stanford; after brief Goldman, Sachs stint went to manage $50 million Bass family portfolio 1970. Lost money 2 years: "Mr. Bass Sr. commented to me that the tuition goes way up after college." Earned back tuition, then some: huge Disney investments 1984. Left 1986 to run own investments: health care, oil, real estate. Met, married banker Darla Moore 1991. Darla running sizable assets since 1994: "Darla's much better at the deals." Focuses on ideas, Crescent REIT, which he took public 1994. Estimated over $800 million.

Henry R. Kravis
George R. Roberts
Partners, cousins. LBOs. Left Bear, Stearns 1976 with mentor Jerome Kohlberg *(which see)* to form Kohlberg Kravis Roberts. Small firm, big appetite: bought Houdaille Industries 1979 for $370 million; Wometco 1984 first $1 billion deal; others: Storer Communications, Safeway, Beatrice, Owens-Illinois, Walter Industries. Kohlberg left 1987 amid differences on hostile takeovers, size of deals; still getting percentage on many deals. KKR's m.o.: massive deals, low risk, massive fees—20% of profits, 1.5% management fee, 1% investment banking fee, etc. Often risk just 1% of buyout equity. Still claim history's biggest LBO, RJR Nabisco for $26.4 billion 1988. RJR return for KKR investors negligible; KKR traded RJR stock in to buy Borden late 1994, hoping to milk Elsie the cow. Sweeter recent deal: bought American Reinsurance 1992 from Aetna, public 4 months later at triple purchase price. Other winners: Duracell, Stop & Shop. Lately talking "leveraged buildups," backing acquisition drives by companies in hot industries: K-III Communications, founded 1989 with $460 million from KKR, now snapping up media companies. Henry: NYC; 5 other homes. 51. Twice divorced, now married to French-Canadian economist, Ford board member Marie-Josée Drouin. 2 children by earlier marriage. Palm Beach arts center named after father Raymond, a Tulsa geologist. High-profile socialite NYC; big bucks to Metropolitan Museum. George: San Francisco area. 51. Married, 3 children. Low-profile: hates New York City, runs West Coast office. Henry, George each estimated worth over $800 million.

Harry and Leona Helmsley
After serving 18 months and paying $8 million in fines for tax evasion, Queen Leona now takes care of Harry in their new digs in Scottsdale, Ariz.

Richard Mellon Scaife
Inheritance. Pittsburgh. 62. Divorced, remarried; 2 children. Grandson of Richard Beatty Mellon *(see Mellon family)*. "Dicky" inherited over $200 million from Mellon mother 1965. Runs Scaife Newspapers; sold Sacramento Union 1989. Sued over 1992 sale of Pittsburgh Press to Block family *(which see)*; claimed wasn't given chance to bid. Beat drinking problem. Won't use middle name (feels Mellon clan treated his parents shabbily). Reportedly gave $1 million to Nixon reelection campaign; big backer right-wing causes, think tanks. Long estranged from reclusive, liberal sister Cordelia Scaife May *(which see)*. Reportedly lost "virtually nothing" in 1991 divorce. Estimated some $800 million.

Christopher (Kit) Goldsbury ★
Salsa. San Antonio. 52. Divorced, 2 children. B.A. political science Trinity U. (San Antonio) 1966. Former son-in-law of David Pace. Pace: son of Louisiana jellymaker, WWII test pilot; postwar, invented hot and spicy Pace Picante Sauce—"Syrup of the Southwest." Kit joined Pace 1969; wed boss' daughter. Started in production, then sales; oversaw 20% annual growth rate 1980s. Salsa secret: low-cal alternative to high-fat condiments; nationally surpassed ketchup sales 1992. Kit bought out David 1982, then ex-wife in 1991 divorce. Bought out by Campbell Soup for $1.1 billion in January. Private, speaks Spanish. Supporter San Antonio arts. Estimated over $800 million.

Eli Broad
Home building, financial services. LA. 62. Married, 2 children. Founded Kaufman & Broad age 23 with Don Kaufman (d. 1983), built first houses

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with $25,000 loan from in-laws 1957. Left Michigan for California, added insurance business to hedge real estate cycles. Built thousands of homes for baby boomers; also overseas in France. Spun off home builder 1989 to concentrate on finance company: "After 25 years . . . the thrill was gone." SunAmerica Inc. snapped up distressed financial companies like Anchor National Life (1986), Integrated Resources (1990). Vast art collection, founded LA Museum of Contemporary Art 1983. Also owns real estate. Estimated net worth: $800 million.

Marc Rich
Pincus Green

Former trading partners. Rich: Meggen, Switzerland. 60. Divorced, remarried; 3 children. Green: 60. Married, 4 children. Belgian-born Rich's family fled Europe to U.S. 1941. Quit NYU to work in mailroom of commodity trader Philipp Brothers. Rose, along with Brooklyn-born "Pinky," to star trader status; pioneered spot oil market 1968. Phibro balked at bonus earned, so Rich and Pinky left 1974 to form Rich & Co. AG, became Phibro's trading nemesis. Indictment after trading Iranian crude during hostage crisis early 1980s; broke South Africa embargo 1980s. Feds charged pair with tax evasion, fraud, racketeering 1983; pair fled to Switzerland. Paid $171 million in fines so U.S. arm Clarendon could do business 1984. Bought Twentieth Century Fox with Marvin Davis *(which see)*, broke up company, sold out to Davis. Changes since 1990 at trading company, now called Glencore International: Pinky (after heart bypass) and other partners cashed out; profits down with exodus. Rich cashed out final 25% Glencore 1994; still believed to have assets in Rich Holding. Tough times for Rich: Interpol has "red notice" on him—priority arrest; ex-wife Denise suing for half of Rich's assets. Pinky estimated $800 million; Rich, over $800 million, many believe far higher.

Dennis Washington

Mining, railroads, etc. Missoula, Mont.; Palm Springs, Calif. 61. Married, grooming 2 sons to take over. Heavy crane operator who loved big machines, got $30,000 loan and married age 30. Built Montana's largest contractor. Saw unaggressive big companies with idle assets. Bought, reopened Anaconda copper mine for $18 million plus royalties 1985. Gave nonunion labor profit-sharing; soon low-cost U.S. producer. Sold half 1989 for $125 million. Bought what is now Montana Rail Link from Burlington Northern 1987. Got control Kasler Holding, leading California road, bridge builder. Washington in acquisition mode: has been adding railroads, shipping, barges. Out of day-to-day operations. Estimated $800 million.

Clemmie Dixon Spangler Jr. and family

Investments. Chapel Hill, N.C. 63. Married, 2 daughters. U. of North Carolina; Harvard M.B.A. 1956. Father left farm, started construction company; built motels, helped found bank that foundered. "Dick" Jr. helped restore; bought out by NCNB 1982. Bought more NCNB shares; now NationsBank, owns over 8 million shares; wife a director. Developed Golden Eagle motels, later sold. Bought 2 million RJR shares before 1989 KKR buyout. Chairman N.C. State Board of Education, 1982-86. Since 1986 president of U. of North Carolina: "Best job in North Carolina." Repairs antique grandfather clocks; backpacks summers in Rocky Mountains. Stock, etc. recently worth over $800 million.

John W. Marriott Jr., giving new meaning to the word perfection **Famous as a midrange hotel chain, Marriott purchased the famously upscale Ritz-Carlton chain earlier this year. "You can never reach perfection in this life; success is never final."**

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Joseph Dahr Jamail Jr.
Lawsuits. Houston. 69. Married, 3 sons. Started in D.A.'s office with U. of Texas law degree. Went on own, did well as personal injury lawyer. Struck Texas gold with celebrated Texaco-Pennzoil case 1987: estimated $345 million legal fees (pretax). One of the world's highest-paid lawyers. Small staff: 5 associates, no partners (Kolius of firm name Jamail & Kolius never a partner); some 90% of billings go to bottom line. Antitrust case against American Airlines for Northwest and Continental; first case lost in 28 years. Now, representing American National Insurance against IBM. Son Randall owns Houston-based music label Justice Records. "How much money do you think I'm worth?" Over $800 million.

Alan Gerry
Cable TV. Liberty, N.Y., Naples, Fla. 66. Married, 3 children. U.S. Marines age 17, then electronics school. Studied TV 1949. Put up TV antenna towers with $1,500 in 1956 in Catskills town Liberty. "Just trying to get a good picture on the 3 networks." Acquired cable franchises, built systems, slow growth to 2,000 subscribers 1970; then up to 52,000 1980. Acquisition push through 1980s jacked Cablevision Industries, subsidiaries to 1.3 million in 18 states, major markets Philadelphia, LA, etc. This year agreed to sell CVI and related companies to Time Warner for $2.8 billion, including CVI debt. Calls it "tough decision," but $795 million payout in cash and Time Warner stock should ease the pain.

Daniel James Terra and family
Lawter International. Northbrook, Ill. 84. Widowed, remarried; 1 son, 2 stepchildren. Born to Italian immigrant lithographer in Philly. In Depression, sang in speakeasies. Lost Penn State dance audition to Gene Kelly ("All I had to do was see him take the first three steps"). Switched to chemistry. Developed high-speed printing process for magazines 1936. To Chicago to oversee printing of Life magazine; never left. Borrowed $2,500 to start Lawter Chemicals 1940. Still chairman. Also Mercury Finance holding. First wife, art historian, introduced him to art, collecting. Opened Chicago's Terra Museum, Musée d'Américain Giverny (France); $22 million to U. of the Arts (Philadelphia). Net worth estimated $790 million.

Charles B. Johnson
Rupert H. Johnson Jr.
Franklin Resources, Inc. Half-brothers. Charles: Hillsborough, Calif. 62. Married, 6 children. Yale 1954, Army 1955-57. Took over father's fund management company, Franklin Distributors, 1957 with $2 million assets under management; by 1994, $118 billion. Known for market-specific funds and emphasis on marketing: first tax-free state bond fund, one of first gold stock funds. Once used Joe Montana, ex-NFL quarterback, on ads; "You use somebody like Joe Montana because it gets people looking at your ads who may not ordinarily look at a financial ad." Acquired Templeton, Galbraith & Hansberger, parent company for John Templeton's fund family, for $913 million 1992. Looking to expand globally; active, Canada, U.K., Pacific Rim. Charles' shares recently worth $790 million. Rupert: Hillsborough, Calif. 55. Married. Washington and Lee U. 1961. Joined Franklin 1965, currently executive VP. Rupert's shares recently worth $635 million.

Stuart Robert Levine
Craig Robert Benson
Partners. Cabletron Systems. Levine: Stratham, N.H. 37. Married, 2 daughters. U. of Miami. Voted least likely to succeed in high school. Benson: 41. Babson College B.S. Syracuse M.B.A. "He [Levine]'s got strengths in areas I don't have strengths in, and the other way around." Cofounded company 1983, with cables connecting PCs/office networks. Known for tough, strong-arm tactics with suppliers, distributors, competitors, even own employees. Ex-employee: "management by intimidation and fear." While supporting Ed du

Model-actress Anna Nicole Smith sporting the latest in widow's weeds **Her made-in-tabloid-heaven marriage to oilman James Howard Marshall came to an end when Marshall died in August at age 91. Marshall's son Pierce had gotten power of attorney over his father's affairs after the marriage. Smith, 26, is said to be seeking a modest settlement.**

Greg Smith-SABA

Pont 1992, company wrote solicitation letter to suppliers; hinting possible future difficulties with those who "only want one-way relationship." Company recorded $810 million revenue this fiscal year, 36% jump from last. First to install computer network in space, aboard Russian "Mir" space station. Recently filed to bid for Chipcom Corp., reportedly to prevent main competitor from acquiring; withdrew before making official bid. Benson's shares, aftertax proceeds of past stock sales estimated over $630 million. Levine's, over $780 million.

Teresa Heinz

Inheritance. Fox Chapel, Pa.; Washington, D.C. 56. Widowed, remarried 1995 to Senator John Kerry (D–Mass.); 3 sons. Born, raised Mozambique; Portuguese doctor's daughter. U. of Witwatersrand; Geneva (Switz.) Interpreters School: speaks 5 languages. Met Ketchup King's great-grandson; married 1966. U.S. Senator Henry John Heinz III (R–Pa.) died in plane crash, 1991. Widow runs $1 billion philanthropic powerhouse. Created Heinz Awards to honor "the kinds of things I saw in my husband: zest, passion, excitement, joy." Remains Republican, avid environmentalist, arts supporter. Heinz trusts, foundations sold 13.5 million Heinz shares August, to diversify. Her shares, etc., exceed $760 million.

Herbert Allen
Herbert Anthony Allen
and families

Investments. NYC. Herbert: 87. Widowed, remarried; 2 children. Herb's son Herbert A.: 54. Twice divorced; 4 children. Herb Sr.'s brother Charlie Allen (d. 1994, age 91) considered one of alltime savviest investors. Raised in Manhattan tenement, dropped out of high school to be Wall Street runner age 15. Started trading bonds at 19 with 2 phones and $1,000. Herbert joined 1928. Brothers made, lost first million within year. Herb's shrewd trades kept firm afloat through Depression. Phenomenal record since buying into small, risky, cheap ventures. Charlie bought $1 million stake Syntex 1958; got $290 million in sale to Roche Holdings 1994. Herbert took $3 million position Benguet Mining, sold for over $45 million. Herbert A. joined 1962, made mark buying, against elders' advice, 6.7% Columbia Pictures for $2.4 million 1973; sold part to Coke for $40 million profit 1982, rest to Sony for $70 million gain 1989. Hollywood's top power broker: represented QVC in bid for Paramount, returned $1 million check to Barry Diller after bid failed; played major advisory role in sale of MCA to Seagram in June. Herbert A.'s annual Sun Valley weekend mandatory attendance for industry bigwigs like John Malone, Sumner Redstone, Edgar Bronfman, David Geffen *(see all)*. Lives with his dogs at Carlyle Hotel NYC; walks to work. Coke director since 1982, owns over $300 million worth; also scores of small investments: high-tech, biotech investments abound. Herb, Herb A., Charlie's heirs share fortune worth well over $1.5 billion.

Jackson Thomas Stephens
and family

Investment banking, media. Little Rock. 72. Twice divorced, 2 children. Son of Democratic power broker, raised on farm. Older brother Witt (d. 1991) sold belt buckles and bibles, then bonds in depressed 1933 municipals market. Jack joined 1946, cofounded Stephens, Inc., now one of largest off-Wall Street investment houses: underwriters Wal-Mart 1970; helped Tyson Foods' takeover Holly Farms 1989. Bought control big, private Donrey media 1993. Owns $400 million of Little Rock-based phone company Alltel; also real estate, oil and gas. Son Warren A., 38, CEO. Big giver to Republican Party. Shares with Witt's heirs fortune estimated more than $1.5 billion.

Frederick W. (Ted) Field

Inheritance, media. Beverly Hills. 43. Divorced 4 times, 5 daughters. Progenitor Marshall Field was store clerk who built Marshall Field & Co. into world's largest department store. Grandson Marshall III sold 1941, started Chicago Sun, added Times 1947; later, TV, cable. Marshall IV inherited; died 1965. Ted raised by mother in Chicago, Alaska. Ted, half-brother Marshall V clashed, liquidated company. Stint racing cars. Founded Interscope movie company, record label. Sold 51% movie company to PolyGram 1992; 50% record label to Time Warner. Latter attacked for "gangsta" lyrics: "He's one of the big exploitation guys in gangsta rap." Democratic booster. Estimated over $750 million.

Franklin Parsons Perdue

Chickens. Salisbury, Md. 75. Twice divorced, remarried; 4 children from first marriage. Grew up on father's egg farm, dreamed of big-league baseball career. Salisbury State U.; dropped out; back to farm 1940. Chickens paid off: demand skyrocketed 70s and 80s. Added feed, processing: one of first integrated chicken companies. Then the big difference: first to use brand name on commodity product: "It takes a tough man to make a tender chicken." Tough

enough to meet NYC godfather Paul Castellano on quashing union organizers 1980. Perdue now fourth-largest in U.S. ($1.5 billion sales fiscal 1994); son James runs company, replaced Dad as TV pitchman 1994. Frank's 90% estimated $750 million.

William A. Cook
Medical supplies. Bloomington, Ind. 64. Married, 1 son. Ex-cabbie; Northwestern 1953; five years as hospital-supply salesman. Quit to form own hypodermic needle company. Hated big-city Chicago; sold company, packed family into Corvair, headed for pastoral Bloomington 1963. Spent $1,500 on blowtorch, soldering iron, plastic tubing; made then-new cardiovascular catheters. Today private Cook Group among largest makers; also pacemakers, syringes, etc. New coronary shunt (used in surgery) likely home run. Says won't sell: "I don't have time to run their company and mine, too." Active in community, renovating downtown Bloomington properties. Estimated over $750 million; he denies.

Jim Jannard ★
Sunglasses. Irvine, Calif. 46. Divorced, 4 children. Started selling hand grips for motocross motorcycles from station wagon 1975; named company Oakley, after his dog. Motocross goggles 1980, ski goggles 1983. First sunglasses 1984. Early models featured interchangeable parts, "thermonuclear protection." Trendy Oakley grew to 13% of $1.2 billion premium sunglass market. Over 30% sold through Sunglass Hut chain. Litigates aggressively to protect designs, image; tight rein on distribution. Far out ads, young execs. Jannard gave self $20 million bonus 1994, corporate jet 1995. Public August: Jannard sold $138 million worth, still owns 65%. Net worth estimated $750 million. "Isn't America a great country?"

Reese McIntosh Rowling and family
Oil, real estate. Corpus Christi, Tex. 67. Married, 4 children. Geologist for oil companies; started own Tana Oil & Gas 1972. Stayed virtually debt-free; in early 1980s bust "drilled a lot of wells while other companies were busy paying their bank loans." By 1989 one of largest independent U.S. explorers; sold oil and gas production (kept pipeline) to Texaco for preferred stock 1989, avoiding big capital gains tax bite (recently converted to common). Acquired Doubletree hotel in Dallas, 8 others since 1990; over 2,200 rooms in Southwest. First big debt ever for $90 million pipeline project. Son Robert running TRT Holdings (family investments). Estimated worth $740 million.

Michael Dell
Dell Computer. Austin, Tex. 30. Married, 2 daughters. Enrolled biology, U. of Texas 1983; dropped out 1984 grossing $80,000/month with computer resale business started in dorm room. First to sell directly by phone; $159 million revenue 1988, $2.9 billion 1994. Stock price plummeted July 1993: newspaper reports of $38 million loss on currency hedging 1992, delay in introduction of notebook computer in 1993. Engineered turnaround with experienced industry veterans; "We had to rebuild our credibility." Recovery so far more than tripled stock price. No chair in office, works standing up; "I've discovered that I think faster on my feet." Currently building "biggest house in Austin area." Recently worth $740 million.

John Elroy McCaw Jr.
Keith W. McCaw
Bruce R. McCaw
McCaw Cellular Communications. Father John Elroy McCaw radio and cable TV pioneer. Mother one of first women to earn accounting degree U. of Washington. Brother *the* Craig McCaw *(which see)*. Sons attended prestigious Lakeside School. Very private family. Father died 1969, left debt; sons rebuilt, led by Craig, became cellular phone power. Family became richer with $11.5 billion merger with AT&T 1994. John: Seattle. 44. Divorced, 3 children. Classmate of Paul Allen *(which see)* at Lakeside. "Warmest" brother. Has stake in the Seattle (baseball) Mariners. Majority owner Vancouver (basketball) Grizzlies, (hockey) Canucks, Vancouver's new stadium. Keith: Seattle. 42. Married, 2 children. Left McCaw 1991: "You can only work for your brother for so long." Youngest, most private. Only brother without pilot's license. Bruce: Bellevue. 48. Single. Never worked for Craig. Most talkative

Tender chicken man Frank Perdue, left, and Russian Governor Alexsandr Belykov
Belykov, the "Frank Perdue of Leningrad," met with Perdue earlier this year to study Perdue's poultry business. A joint venture may be hatched soon.

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brother, except with press: "One of the reasons we spend less time in the city [Seattle] is because we got run out [because of hounding by the press]." Races cars. Sponsors 2 Indy 500 cars: "It's a business for him." Each of the three brothers worth at least $670 million.

Dwight Darwin Opperman ★
Legal publishing. Eagan, Minn. 72. Married, 2 children. Born Perry, Iowa. After Army WWII earned J.D. Drake University 1951. Started as editorial counsel for West Publishing, 19th-century firm that became nation's top legal publisher. Opperman rose to VP 1965, president 1968, CEO 1978. West's copyrighted citations most complete index of federal cases, statutes: other on-line legal services pay to use it. Son Vance, now president, named one of nation's top litigators by National Law Journal 1992; well-connected politically: friends with Al Gore, cochaired Senator Dianne Feinstein's (D–Calif.) reelection campaign 1994. West Publishing stake estimated over $700 million, perhaps far over.

William Ingraham Koch
Frederick Robinson Koch
Brothers. Inheritance. Two of 4 sons of Fred Koch (d. 1967), founder Koch Industries, $20-billion-plus (revenues) oil giant *(see also David, Charles)*. Bill: Palm Beach, Fla. 55. Married, 1 child. Family feud exploded 1981: Bill claimed mismanagement, stingy dividends by Koch Industries. Brothers Charles, David controlled firm, bought out Bill, brother Fred 1983 for over $1 billion. Bill's net share estimated $700 million. Bill had already moved Koch stake into Delaware S corporations. Massachusetts court ruled no capital gains taxes apply; Bill got biggest Massachusetts tax refund ever 1993 ($47.5 million). Founded Oxbow Group mid-1980s: trading firm, high-tech and medical research, real estate, energy, etc. Revenues over $1 billion. Avid wine, art collector—Picasso, Cézanne, Miró. Engineering background helped him win America's Cup 1992: spent $68 million. Sponsored 1995 all-women team. Bought Jackie O.'s Fifth Avenue apartment for $9.5 million. Net worth may exceed $700 million: not bad for self-described former "nerdy, awkward kid." Fred: 61. Single. London (Jean Paul Getty's former mansion), Monaco, NYC. Attended Harvard, Yale Drama School. Avoids press; collects, restores art. Philanthropist: Morgan Library in NYC, Harvard Theater Collection; nearly $3 million building Swan Theatre at Stratford-upon-Avon. Net worth believed over $500 million.

Robert Edward Rich Sr. and family
Fake cream. Buffalo, N.Y.; Palm Beach, Fla. 82. Married, 3 children. Learned family dairy business, bought own milk company 1935; during WWII, milk administrator. "The cow is a very inefficient factory." Developed soybean-based whipping cream. Then Coffee Rich creamer 1960; cheap, nonspoiling; foundation of fortune. Added small frozen food companies, bakeries. Expanding internationally under son Robert Jr., 54: adding Mexico, South Africa. Topped $1.8 billion in sales 1994. Company owns AAA baseball Buffalo Bisons, other minor league teams; stake in Buffalo (hockey) Sabres. Also four Buffalo-area radio stations, Florida golf course. Net worth estimated $700 million or more.

Leon Hess
Amerada Hess. NYC; Deal, N.J. 81. Married, 3 children. Father Mores Hess, 1904 Lithuanian immigrant, started small fuel-delivery firm, went broke 1933. Leon, 19, reorganized business; put heaters on trucks, invented resid oil industry; eventually integrated backwards into exploration, refining; merged with Amerada Corp. 1969. "I got into oil because I was basically lazy. I didn't want to carry 100-pound bags of coal for my father." Quit May as CEO/chairman; still chairman executive committee. Father Mores stayed on at company till 92. Son John, 40, Harvard-educated, groomed many years, takes over. Leon also owner NY (football) Jets; with 13% Amerada Hess, recently worth $700 million.

Reebok founder Paul Fireman on the putting green **Miffed that he was kept out of an exclusive golf club in Oyster Bay, N.Y.—allegedly because he is Jewish—Fireman bought his own club, which admits blacks and gives equal playing time to women.**

Barry Chin/The Boston Globe

Jack Kent Cooke
Real estate, investments, sports. Middleburg, Va. 82. Four divorces; 2 sons by first wife; daughter by third (pregnant at marriage; wife signed, ignored prenup to abort). Got annulment of marriage 1994 to fourth wife: "The Bolivian Bombshell" (about 40, departed to Mexico). Canadian-born, sold encyclopedias door-to-door. Bought radio station age 25; added newspapers, magazines: millionaire by 30. Naturalized by act of Congress 1960. Bought LA (basketball) Lakers, built Forum, sold 1979. In 1980s dealt cable systems: $500 million profit. Owns Washington (football) Redskins, LA Daily News (for sale), NYC's Chrysler building. Hopes to move Redskins to Maryland stadium. Net worth estimated $700 million.

Steven Allen Spielberg
Movies. Pacific Palisades, Calif.; East Hampton, N.Y. 47. Divorced, remarried; 5 children. Hollywood wunderkind; ran kiddie movie house in Scottsdale, Ariz. living room. Directed TV shows, then *Jaws* 1975. Midas touch

ever since: *Raiders of the Lost Ark, Close Encounters of the Third Kind, E.T.*, etc. Best deal in Tinseltown: no salary; shares in revenues, profits. Paid off with 1993 hit *Jurassic Park,* biggest-grossing film ever; thought to have pocketed about $300 million. Formed DreamWorks SKG 1994 with David Geffen *(which see)* and Jeffrey Katzenberg. Currently archiving Holocaust survivors' testimony; donated proceeds from Oscar-winning *Schindler's List* to charity. Net worth estimated over $700 million.

John R. Menard Jr.
Home-improvement chain. Eau Claire, Wis. 55. Twice divorced ($4 million to second wife, Paula, 1993); 3 children. Eldest of 8 children of teachers turned dairy farmers. Built makeshift barns on poles to pay for college (B.S. 1963, U. of Wisconsin-Eau Claire). Opened home-improvement store Eau Claire 1972. Caught big trend early: now Menard's 100-plus chain sixth-largest U.S., dots Midwest. Avoided bank debt, 1980s acquisitions. Low-priced imported hardware, good quality control. "We'll do anything that's not immoral, illegal or unethical." Home Depot breathing down neck. Backs Indy 500 cars: sponsored Al Unser Sr. (but not Jr.). Said to give to both political parties. Estimated $700 million or more. Graphic in describing his aversion to appearing on The Forbes Four Hundred.

Leonard Samuel Skaggs Jr.
American Stores Co. Salt Lake City. 72. Married, 4 children. Baptist minister grandfather founded Skaggs Cash Store in Idaho to help congregation 1915. Five sons ran business, later acquired Safeway supermarket chain. Sam's father bought Pay Less Drug Stores in Utah with Safeway shares 1939; died 1950. Sam took over age 26. Built second-largest U.S. drug/food retailer. Took 69 stores public 1965. Now over 1,600 stores, 27 states: added Lucky, Acme, Jewel, Osco, Sav-on. Pioneered supermarket-drugstore combo with Joseph Albertson *(see widow)* 1969. Amicable split 1977. Called "The Wiz-

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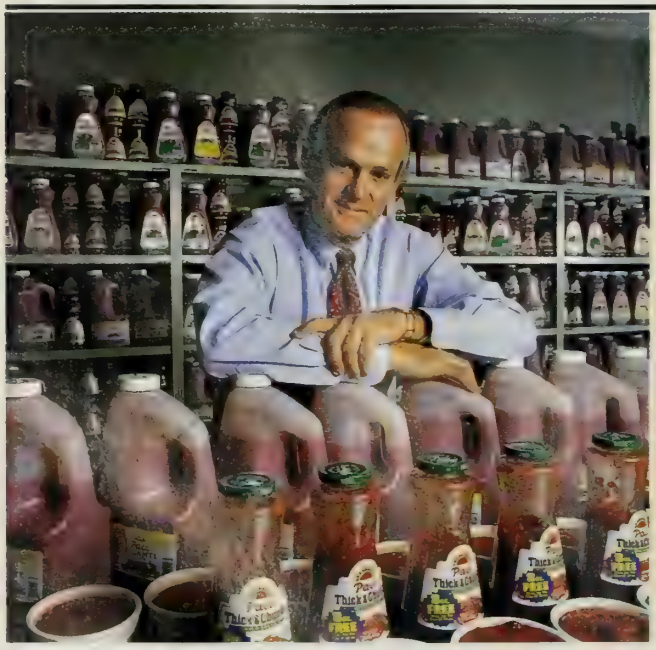
ard." "He loves the grocery business." Also privacy. Frugal. Shares recently worth over $690 million.

Robert Earl Holding
Refining, gas stations, real estate. Salt Lake City; Cheyenne, Wyo. 68. Married, 3 children. Mormon parents lost everything in 1929 crash. Air Force; U. of Utah 1951. Managed isolated, moneylosing Wyo. motel/gas station 1952. Built up, bought out partners. Added dozens of pumps, advertised as largest gas station in world. Built chain. In 1968 borrowed to buy small refinery Casper, Wyo.; in 1976, mortgaged to buy Sinclair Oil assets western U.S.: refinery, distribution, gas stations. Bought Sun Valley resort for $12 million 1977; now worth $100 million, constant improvements. Largest landowner Salt Lake City outside Mormon Church, also 450,000 ranch acres Montana, Wyoming. Estimated $675 million or more.

George Lindemann
Cable TV, cellular phones, natural gas distribution. Wellington, Fla. 59. Married, 3 children. Grew up NYC. Wharton. Joined father's cosmetics company 1958, eventually took over, developed new contact lens, sold out to Cooper Labs 1971 for $60 million. Next, got N.J. cable licenses, leveraged Vision Cable to 230,000 subscribers in 6 states; sold to Newhouse brothers *(which see)* for $220 million 1982. Then, cellular telephone licenses; sold Metro Mobile to Bell Atlantic for 7.3 million Bell shares worth $300 million. Now, chairman Southern Union Co., natural gas distributor. Key to golden touch? Get there early, get out early: "Every time everyone is talking about something, that's the time to sell." Estimated over $670 million.

John Orin Edson
Leisure craft. Seattle. 63. Divorced, remarried; 2 children. Founded powerboat maker Bayliner Marine Corp. 1955, building boats in garage behind showroom. Sales, profits doubled every 3 years until 1986 (sales that year over $400 million), when Bayliner sold to Brunswick for $425 million. Simple credo: simplify production in what was custom boat industry, pass along the savings to consumer. Proceeds from Bayliner sale invested conservatively in equity and debt: 60% in bonds, 40% in stocks. Now somewhat stronger in bonds. Constructed and launched 161-foot fiberglass yacht in July 1993. He and his wife have several planes, helicopters. Bought land near Scottsdale, Ariz. airport, now selling pieces for development. With the bull market going strong, net worth believed around $670 million.



Salsa king Christopher (Kit) Goldsbury **The ultra-low-profile maker of Pace Picante Sauce, the "Syrup of the Southwest," sold out to Campbell Soup for a hot 'n' spicy $1.1 billion.**

Lawrence Ballinger

Dirk Edward Ziff
Robert David Ziff
Daniel Morton Ziff
Brothers. Publishing. Grandfather William Ziff, WWI aviator, noted lecturer, author, cofounded publisher Ziff-Davis 1927; died 1953. Son William Jr., then 24, now 65, took over: "I was saved from a life of abstraction by business." Bought out Davis; expanded into upwardly mobile niches: Car & Driver, Boating, Yachting, etc., ultimately some 35 magazines, 6 TV stations. Sold off magazines while fighting cancer 1980; 12 trade magazines to Rupert Murdoch *(which see)* for $350 million; 12 consumer magazines to CBS for $363 million 1985; stations for about $100 million 1983. Ziff kept, built up, computer-related titles: PC Magazine (largest computer magazine), PC Week, PC/Computing; considered among strongest in business—Ziff Communications had $1 billion 1994 sales. Ziff, cancer in remission, retired 1993, gave reins to Dirk and Robert (Daniel, Columbia student). Three sons own 90%, relatives own rest. But, third generation not interested in the business. Auction announced June 1994, completed by year's end: publishing arm Ziff-Davis to Forstmann Little for $1.4 billion; Information Access Co. (a database of 6,400 publications) to Thomson Corp., $465 million; Interchange (multimedia on-line company) to AT&T, estimated $50 million; Interop Expositions (high-tech trade shows), to Softbank Corp., $202 million. Proceeds to Ziff Brothers Investments, founded by Dirk (briefly apprenticed with Richard Rainwater, *which see*). Believed $3 billion assets. Also REIT, Starwood Capital Group. All 3 are among New York's most eligible bachelors. Dirk, 31, Columbia, Harvard M.B.A.; Robert, 29, Harvard, Cornell law; formerly vice president/strategic planning Ziff Communications, now with Ziff Brothers. Daniel, 23. Share at least $2 billion.

Jerome Spiegel Kohlberg Jr.
LBOs. Mt. Kisco, N.Y. 70. Married, 4 children. New York-born lawyer, Harvard M.B.A. At Bear, Stearns, first 1965 deal friendly: with investors,

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borrowed money, bought dental products maker for $9.5 million from aging chief who stayed. Took company on buying spree, then public; turned $500,000 into $4 million. Blueprint: buy company cheap, cut costs, motivate executives with equity. Met summer intern George Roberts *(which see)*, later hired him; Roberts moved to California, recommended replacement: cousin Henry Kravis. Trio formed KKR 1976. Kohlberg opposed huge prices, hostile bids; started own firm 1987 with son James. Retains pieces of some KKR deals. Estimated over $665 million.

New billionaire J.R. Simplot
"Mr. Spud" spent a lifetime building his business—now nearly 2 billion pounds of potatoes annually. But his recent gains were made on a single investment: Micron Technology. His shares are up over $1 billion since last year.

Charles Cassius Gates Jr. and family
Gates Corp. Denver. 74. Married, 2 children. Charles Sr. lured west by gold strike; bought tire cover business 1911; brother invented V-belt 1917, became leading producer. Jr.: Stanford grad, engineer, inherited 1961, with 4 sisters. Diversified; bought ailing Learjet Inc. 1967, turned around, sold 1987. Bulk of company now to pass from family; Gates seeking buyer for Gates Rubber Co. Accounts for 95% of total $1.39 billion sales with industrial hoses, belts, etc. Also: invested dirt cheap in Hamilton Oil, 1991 merger gave $100 million stock, looking for oil and gas properties; Denver real estate; 150,000-acre ranch; 700 acres Colorado Springs. Active Denver Museum of Natural History. Estimated $665 million.

Henry Earl Singleton
Teledyne. Beverly Hills. 78. Married, 5 children. Learned discipline at Annapolis; B.S., M.S. from MIT 1940, Sc.D. 1950. Texas rancher's son; dreamed of building big company. Founded conglomerate, Teledyne, with George Kozmetzky, Arthur Rock. Retired from daily operations at Teledyne 1989. Known for uncanny ability to locate undervalued companies. "I don't believe all this nonsense about market timing. Just buy very good value, and when the market is ready that value will be recognized." Spun off Argonaut and Unitrin 1986, 1990, respectively. Currently chairman at Argonaut. Owns sprawling ranch New Mexico; lists himself (in proxies) as rancher first, investor next. Teledyne, other assets worth over $660 million.

Edward Perry Bass
Oil, investments. Fort Worth. 50. Single. Second of 4 Bass brothers *(see others)*. Yale, Coast Guard, Yale architecture school; only non-M.B.A. Bass brother. Joined communal theater troop in Santa Fe; owns properties worldwide, including hotel in Nepal. Oversees Sundance Square, part of Bass-financed 33-block development downtown Fort Worth (stores, restaurants, apts., etc.) credited for Fort Worth revitalization. Spent reported $150 million on Biosphere 2, flawed experimental enclosed ecosystem in Arizona; sued over mismanagement, got top managers removed. Spent over $20 million establishing Institute of Biosphere Studies at Yale. Has 500,000-acre Australia ranch. Net worth estimated $660 million.

Roberto Goizueta
Coca-Cola. Atlanta. 63. Married; 2 sons, 1 daughter. Son of rich Cuban sugar farmer; Yale honor roll. Answered Cuban newspaper ad for bilingual chemist at Coca-Cola, 1954. Fled Castro 1961 with wife, kids, $20: "I wanted to see if I was worth anything or was just my father's son." Protégé of Coke patriarch Robert Woodruff (d. 1985). Introduced Diet Coke 1982. As CEO, intense, hands-on. "Every single one of the world's 5.6 billion people will get thirsty." As Coke's market cap went from $5 billion (1971) to $66 billion (1994), nicely compensated: lately $4.4 million salary and bonus; shares, options, restricted stock and "performance units." Estimated present value $655 million.

Robert Boisseau Pamplin Jr. and family
Textiles. Lake Oswego, Ore. 54. Married, 2 daughters. Ordained minister. Beat cancer. Eight degrees, including 2 doctorates. Runs R.B. Pamplin Corp. Father, Robert Sr.: penniless, rose to chief executive officer of Georgia-Pacific. On retirement bought sand and gravel company, built today's $835 million (sales) company (later addition, Mt. Vernon Mills, now 95% of sales). Consumes 5% of cotton used in the U.S., makes denim, etc., $450 million capital expenditures past 6 years; heavy depreciation; 10% pretax profit to charity. Starting Christian entertainment companies: musical artists and videos (watch for superhero "Bible Man"). R.B. Jr., children have 74%. Textile values depressed: estimated over $650 million, but growing.

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Carl Henry Lindner Jr. and family
Insurance, banking, investments. Cincinnati. 76. Married, 3 sons in business. High school dropout at 14 to help family dairy business in Depression. Opened ice cream store 1940 with brothers, $1,200. Built 220-store United Dairy Farmers chain. Began American Financial Corp. with small S&L 1959; added insurance 1971. Midas touch investing in troubled, unwanted firms; also greenmail. AFC portfolio up sixtyfold 1961-80; private 1981 for $340 million. Some recent investments, Mission Insurance, Circle K, Chiquita Brands, not so hot. Complex restructuring 1995. Carl, sons run it: big salaries, bonuses. Carl, strict Baptist, major contributor Jewish Welfare Fund. Estimated $650 million.

Helen Kinney Copley
Publishing. La Jolla, Calif. 72. Divorced, widowed; 1 son. Daughter of Iowa railroad man. Saw postwar ad, became secretary to James S. Copley, adopted son of newspaper magnate Colonel Ira Copley. From secretary to confidante to wife: "I'll never know what he saw in me. I was so pathetically shy." Gracious host, dutiful wife until James' death 1973; then surprised Copley crony-lieutenants who expected to take over operations: took over herself as publisher, chairman; sold unprofitable papers, slashed payroll. Flagship San Diego Union (merged with Tribune 1991), 9 other dailies; stakes in all 3 cable systems being sold this year. James' 2 children from first marriage beneficiaries of trust. Estimated over $650 million.

Nelson Peltz
LBOs. Bedford, N.Y.; Palm Beach, Fla. 53. Divorced, remarried; 8 children. Wharton dropout. Built up family food distributor, sold 1978. With partner Peter May, via friend Saul Steinberg, met Michael Milken *(see both)* 1979, built empire on junk debt. Gained control Triangle Industries 1983; National Can 1985; chemicals, American Can 1986. Sold Triangle 1988 to France's Péchiney S.A. for $834 million profit. Not as successful after: put $100 million 1989 into U.K.'s Montleigh Group (real estate), lost all when firm collapsed. He and May paid $80 million for 25% Posner's DWG 1993, now Triarc Cos. Also partner Hollywood Inc. (Fla. real estate). If no other big losses, estimated some $635 million.

Bernard Marcus
Arthur Blank
Home Depot. Marcus: Atlanta. 66. Married, 3 children. Newark, N.J. native, son of Russian immigrant cabinet maker: humble beginnings. B.S. Rutgers. Started in drug retailing; moved on and up. Fired as CEO from now-defunct Handy Dan Home Improvement Center 1978. Blank: Atlanta. 53. Divorced, remarried; 3 children. Raised in NYC's Queens, studied accounting at Babson. Type-A personality with outdoor streak: Outward Bound's North Carolina headquarters named for him. Fired as Handy Dan's VP-finance same day as Marcus. Together opened do-it-yourself store 1979, built chain. Warehouse-size stores with shareholding, knowledgeable staff. Solid partnership: "The only thing we don't have is sex." Ross Perot almost a silent partner but was too loud. One of his favorite stores. Now 364 stores U.S., Canada. By 1998, 852 stores. "It's all about sales, sales and more sales." Suspended plans to enter Mexico. Cable home improvement show taped at corporate headquarters. Marcus, CEO and chairman, owns shares recently worth about $630 million. Blank, president and COO, $345 million.

Roy Edward Disney
The Walt Disney Co. Los Angeles. 65. Married, 4 children. Nephew of animated cartoon legend Walt Disney who started Walt Disney Productions 1923 (d. 1966). Roy worked at studio for 24 years as film editor, writer, producer; quit 1977 after fight with management but still heads animation unit. Set up Shamrock Holdings as real estate, media investment vehicle. Returned to Disney as vice chairman 1984; put new emphasis on animation, brought in Michael Eisner *(which see)*. Shamrock sold entire radio holdings 1995: $395 million for 19 stations. Now owns just one TV

station. With Disney shares goosed by Cap Cities/ABC merger, stake in Trefoil Capital Investors partnership, net worth exceeds $625 million.

Raymond J. Noorda
Computer software. Provo, Utah. 71. Married, 3 children. U.S. Navy WWII. U. of Utah; GE 1949. GE computer engineer. Then CEO power-supply-systems maker, sold 1981. Joined Novell, CEO 1983; $3.8 million revenue then, $1.8 billion 1993. Expanded with joint ventures and acquisitions. Two merger talks with Bill Gates failed; subsequently cooperated with government antitrust against Microsoft. Gates: "Ray has a tremendous vendetta against us." Stepped down as chairman 1994, allegedly for health reasons. Family trust has stakes in numerous high-tech companies. Newest venture, Canopy Technologies. His Novell shares, other companies recently worth $615 million.

Paul Fireman and family
Reebok. Newton, Mass. 51. Married; 3 children. Family had camping, sporting-goods business. Saw British shoe label at trade show 1979, bought U.S. rights; then company, 1984. Public 1985. In 1982 introduced aerobic, sports shoes for women. Breathless growth: no. 1 sneaker company 1986. Lost it to Nike's Air, 1988. "A game isn't a game if you

Aerial view of Michael Dell's work in progress **The 30-year-old college dropout is building the biggest house in Austin, Tex., costing an estimated $19 million. Not as much as Bill Gates' house, but, hey, he's only a half-billionaire.**

can't win or lose." Has had busy year: settled government price-fixing charges for $9 million, cutting costs $75 million, work force 9%. Opened colossal Reebok Sports Club/NY (venture with The Sports Club Co.): underwater stereo in pool, rock-climbing wall. Bought golf club. Active in human rights causes. He, family estimated at $615 million.

William A. Dart
Styrofoam cups, investments. Sarasota, Fla. 67. Married, 3 children. "W.A.," son of steel tape measure manufacturer, experimented plastics 1950s. Came up with secret, lowest-cost method of making foam cups, built world's largest maker. Brought in sons Kenneth, Robert and Thomas. Started investing profits, especially Kenneth: Freddie Macs, Salomon Brothers, defaulted Brazilian bonds. Eldest son Thomas estranged, has sued for allegedly being cheated on family fortune splitup. Kenneth tax refugee, took Belize citizenship. Now said to hold bonds of Poland, Russia, Ecuador. Works in Cayman Islands. Son Robert took Irish citizenship 1994. W.A.'s share family fortune may exceed $600 million.

Cordelia Scaife May
Inheritance. Ligonier, Pa. 67. Divorced, widowed; no children. Great-granddaughter of Judge Thomas Mellon *(see Mellon family)*. Married briefly 1950. Inherited $200 million from Mellon mom 1965. Wed Pittsburgh D.A. Robert Duggan, longtime friend, 1973. Duggan shot to death during corruption investigation 1974. Estranged from her right-wing brother Richard Mellon Scaife *(which see)* ever since. Supports environmental, educational causes; endowed Laurel Foundation 1951. Continued family's tradition of funding emerging companies: $10 million for alternative energy into venture capital firm Roldiva, Inc. (named after her favorite horse). Lives quietly, modestly. Estimated $600 million.

William Michael Cafaro and family
Shopping malls. Hubbard, Ohio. 82. Married, 3 children. Immigrant's son, ran Ritz Bar in Youngstown, Ohio; sold bar, built first strip center late 1940s with brother John (d. 1987). Major contributors to postwar suburban sprawl: constantly built strip centers, later enclosed malls. Concentrated on middle market, Midwest; rarely sells property; little debt. Today among top developers in nation; strong ties to anchors such as J.C. Penney, Sears, Montgomery Ward. Eldest son Anthony, president; daughter Flora, VP; other son J.J. (had failed sports car company) also in family business. Bill, family trusts estimated $600 million. "If you make a friend today, you can always make a deal tomorrow."

Thomas Haskell Lee
LBOs. Boston. 51. Going through high-profile divorce, 2 children. Harvard B.A. 1965. Securities analyst for L.F. Rothschild; later headed high-tech lending at Bank of Boston. Started buyout firm, Thomas H. Lee Co., with $100,000 savings and inheritance 1974. "I knew I wanted to own companies, but I didn't quite know how to do it." Found out: by 1980 controlled 12; put own money into deals. Specialty: small-growth companies. Some flops, more home runs: Snapple, $900 million profit in recent sale to Quaker; Playtex Products; General Nutrition Cos. Big gains 1994. Has raised new $1 billion equity fund. "I think I am about 8 minutes through my 15 minutes of fame." Current tally, $600 million or more.

John C. Haas
Rohm & Haas. 77. Villanova, Pa. Married, 5 children. Amherst; MIT M.S. Father Otto (d. 1960) returned to native Germany from U.S. to develop tanning process with Otto

Philip Anschutz, with daughter Elizabeth and wife, Nancy
Could the wedding have been that expensive? This billionaire came up with only $500,000 and a loan guarantee for the troubled Los Angeles (hockey) Kings.

Rohm. Returned 1909, set up Phila. office; Rohm developed German side. Broadened: pesticides, 1929; Plexiglas, 1932. German assets seized during WWII. Public 1948; Rohm sold out. Brother F. Otto Haas (d. 1994) took over 1959; John headed human resources. Both retired 1970s; no Haas in company. Heavy philanthropic activity social services areas: "With privilege comes responsibility." Goal: to get "inner cities' feet on the ground . . . have them become centers for regions again." John's stock estimated over $600 million.

Robert Allen Naify
Marshall Naify
Brothers. San Francisco. Movie theaters, cable TV. Two sons of Lebanese immigrant who opened Atlantic City movie theater 1912. Founded California Theaters 1920s; later purchased 50% in United Artists Theater Circuit. Early pioneer cable television 1950s. Young Robert and Marshall started in movie business as ushers, projectionists in daddy's theaters. Gained control after UCT-UATC merger 1963. Brothers eventually sold out to Tele-Communications, Inc. 1986 for stock, convertible notes, $150 million in cash. Robert: 73. Married, 6 children. Low-key. Stock, etc. worth over $600 million. Marshall: 75. Divorced, 3 children. Mostly retired. Net worth estimated at least $385 million.

Charles C. Butt and family
Supermarkets. San Antonio. 57. Single. Grandmother started small grocery with $60 to support sick husband, 3 kids in Kerrville, Tex. 1905. Her son Howard (d. 1991) renamed it H.E. Butt Grocery 1944; chairman to 1984. Today H-E-B Foods. Grandson Charles began bagging groceries age 8. "About all I could do was carry groceries—I did a lot of that." Wharton 1959. H-E-B president 1971. Family built one of largest private U.S. supermarket chains (projected 1995 sales, $5.1 billion). Competes favorably with Kroger, Albertson's *(which see)*. Sign in office: "The price to stay here is always equal to or greater than the price you paid to get here." Has 100% voting control; estimated over $600 million.

Ted Turner and wife Jane Fonda have plenty to shout about
Long thought to be attempting a run for CBS, Turner agreed to sell his company to Time Warner, driving up Turner Broadcasting shares by 50%.

Betsey Cushing Roosevelt Whitney
Inheritance. Long Island, N.Y. 87. Divorced, widowed; 2 children by first marriage. Daughter of pioneering brain surgeon Harvey Cushing. One of the famous "Cushing sisters," married James Roosevelt, FDR's eldest son; became White House hostess. Divorced 1940. Remarried 1942, to John Hay (Jock) Whitney, heir to vast family fortune (oil, tobacco, etc.). Jock (d. 1982) not idle wealthy; investments included venture capital, media (N.Y. Herald Tribune, International Herald Tribune, TV and radio stations). Betsey inherited almost all, including large art collection appraised over $200 million. Media holdings greatly reduced, but not so family trusts. Believed worth over $600 million.

Norman W. Waitt
Gateway 2000. North Sioux City, S.D. 41. Married, no children. Father, Norm Sr., talked brother Ted, 18, out of joining family cattle business. Ted started computer mail-order business 1985. Norman joined 1986, created accounting system. First year revenue $100,000; by 1994, $2.7 billion. Low South Dakota overhead, service fast and good. Computers shipped in Holstein-spotted boxes inspired by family business. Increasing tension between Ted and Norman as company grew. Norman left 1991 with 45% of Gateway; "I just got tired of dealing with it." Set up Andrea and Norman Waitt Foundation; gives to local animal welfare, environmental efforts. Norman's shares, etc. estimated over $600 million.

Michael Ilitch
Pizza. Detroit area. 66. Married, 7 children. Son of Macedonian immigrants, opened Little Caesar's pizza parlor with wife, Garden City, Mich. 1959. Added second 1961, started franchising 1962; saw chain possible: by 1967, 50. Started high-voltage ad campaigns: "Pizza! Pizza! Two great pizzas! One low price" 1976. Major rival of Domino's *(see Monaghan)*: 1993 sales $2.15 billion; about 3,500

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Steven R. Berlin
V.P., Chief Financial Officer
CITGO Petroleum Corp.

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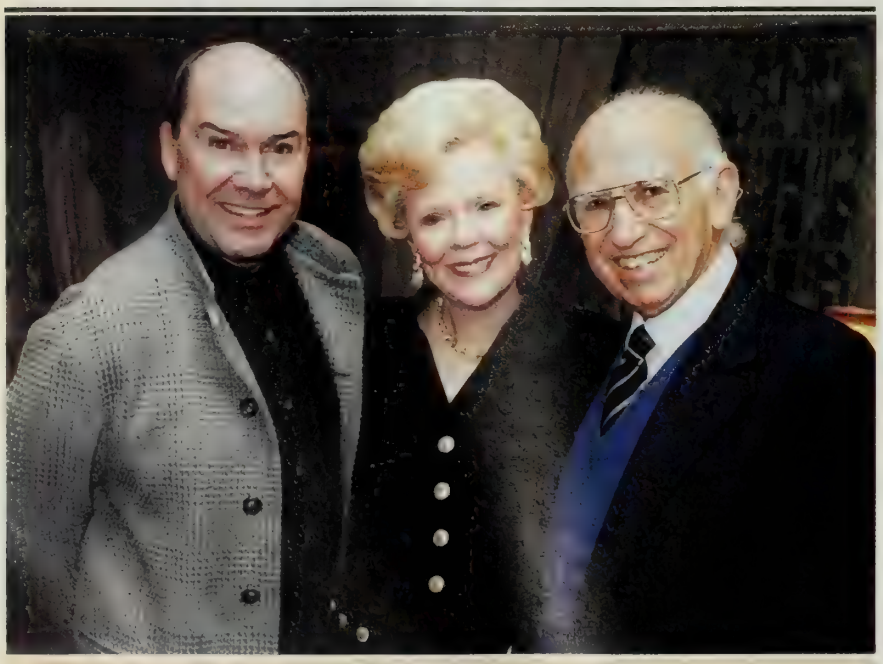
franchises, 1,200 company stores; some outlets in mass merchandisers like Kmart. Opened Czech, Slovak stores 1993. Owns Detroit (hockey) Red Wings; bought (baseball) Tigers from rival Tom Monaghan 1992; pledged $175 million for new stadium. Owns other Detroit interests. Net worth estimated $600 million.

Patrick Joseph McGovern
Publishing. Nashua, N.H. 58. Divorced, remarried; 4 children. Built Tic-Tac-Toe machine tenth grade; won scholarship to MIT, studied biophysics, computer science. Worked briefly for first computer magazine (Computers and Automation); launched International Data Group 1964 as computer census service. Started flagship (and biggest revenue generator) Computerworld magazine 1967. Grew 15% to 30% annually; added other publications, info services; now 60 million readers of 250 publications. Growing in Asia, Latin America; also 5 publications Russia: "We are making billions, but they are rubles." Employees own 35%. Lives modestly; wealth estimated somewhat immodest $600 million.

Leonard Litwin
Real estate. NYC. 79. Married, 2 daughters. Began in landscaping with father on Long Island, retains tree nurseries there. Branched into apts. with pioneering high rises on, near Manhattan's York Ave. (Upper East Side). Building again; newest building there, "The Brittany," went up 1994. Also had Queens apt. buildings, Manhattan offices (since sold). Shuns publicity: "He operates like an old-fashioned real estate man." Today 26 Manhattan rental properties, at least 5,000 prime units. "Everybody who has a job in New York can't spend $500,000 on a co-op." Old-fashioned enough to keep rents very competitive. Net worth progressing, this year estimated around $600 million.

John Thomas Lupton
Elizabeth Lupton Davenport
Siblings. Coca-Cola bottling. Grandfather John T. (d. 1933) got rights to distribute Coke 1899. Used part of patent medicine fortune to finance early Coke bottling plants. Father Thomas Cartter bought, sold Coke franchises at frenzied pace. John: Lookout Mountain, Tenn. 69. Married, 4 children. "Jack" started 1954 as chief bottle washer; ran family's Great Western Coca-Cola Bottling Co. after father's death 1977; board member until 1983. GWCC became largest U.S. Coca-Cola bottler. Jack: "Surround yourself with some damn good people and let those people have real responsibility." Sold to Coca-Cola 1986 for pretax $1.4 billion. Major figure in revitalizing downtown Chattanooga; big supporter $45 million freshwater aquarium, $16 million museum for children. Built golf course. Joined moneylosing golf-club maker ProGroup as chairman, CEO March 1995; company in black after 4-month stewardship. Elizabeth: Lookout Mountain, Tenn. 62. Divorced, remarried; 3 children. Lives quietly. Husband R.B. Davenport III majority shareholder Krystal Co., fast-food chain. Brother and sister each estimated at $600 million or more.



Burger heiress Joan Kroc with Jonas Salk (right) and Jack O'Brian
Formerly a big political donor, Joan turned to social causes: "Politics is too ridiculous." Recently gave $1 million to the Special Olympics, millions more to other children-related causes.

Lawrence Flinn Jr. ★
United Video Satellite Group. Greenwich, Conn. 60. Yale; Columbia M.B.A. Investment banking career, Morgan Stanley. Entered cable television 1964: became CEO/chairman 1976 of United Video Satellite Group, distributor of programming via satellite to cable TV systems, radio networks, data communications networks, paging industries, etc. UVSG's Prevue Guide Channel reaches 36 million U.S. homes. Went public in 1993. Flinn Jr. selling one-half interest to Tele-Communications. Flinn Jr. remains as CEO. Also owns United Video Cablevision; cable operator with over 160,000 subscribers in 8 states. Net worth recently estimated $600 million.

David A. Duffield ★
PeopleSoft Inc. 55. Danville, Calif. Divorced, remarried; 5 children. Cornell: electrical engineering; M.B.A. Began as IBM engineer/marketing representative. Cofounded Information Associates 1968; developed payroll/personnel systems. Founded Integral Systems, 1972. Clients: Rutgers; Penn; U. of Califor-

nia. Founded PeopleSoft 1987, envisioned "Microsoft of application software" for human resources, financial. Public 1992; over-60% price-rise first day of trading. $113 million sales 1994, plans for global expansion. No secretary; answers own phone. "It may be inefficient from time to time, but keeps me in tune to what's really going on." His shares recently worth over $600 million.

Raymond Harbert ★
and family

Inheritance. Birmingham, Ala. 36. Married, 3 children. Son of John Murdoch Harbert III, d. March, who won $6,000 in crap game sailing home from WWII. Bought concrete mixer. Ran out of cash 3 times; finally carved niche in high-risk enterprises, e.g., water supply in Abu Dhabi. Bought Kentucky, Tennessee coal 1960s, early 1970s; sold for Amoco stock in energy crisis. Diversified: real estate, power generation, gas stations. Son Raymond took over day-to-day 1990. Brother Bill's advice: "If you don't want to be in construction, you shouldn't be." Sold international to Bill, rest to others. Kept 10 million Amoco shares; controls fortune estimated near $600 million, before estate taxes.

Peter E. Haas Jr.
Robert D. Haas
Rhoda Haas Goldman
Josephine B. Haas
Margaret Jones ★
Daniel E. Koshland Jr.
Frances K. Geballe
and families

Blue jeans. SF. Levi Strauss emigrated from Bavaria during California gold rush, sold '49ers pants made of tent canvas; patented denim version, copper riveting technique 1873. Died bachelor 1902, left company to 4 nephews. Walter Haas Sr. (d. 1979) married Strauss' grandniece, ran company 1928-55. Walter Jr. died September at age 79. Married, 3 children. Took company public 1971. Bought Oakland (baseball) A's 1980. Retired 1981; was still honorary chairman of board. His piece of company worth estimated $590 million. Walter Jr.'s son Rob-

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ert, 53, now chairman, CEO; took company private again 1985 in $1.6 billion LBO. Spending $850 million on reengineering, rewiring company to provide faster distribution, replenishment of merchandise. Also implementing "Business Vision": "We will strive to achieve responsible commercial success . . . measured not only by growth in shareholder value but also by our reputation . . . and our commitment to social responsibility." Minorities more than 50% of Levi Strauss & Co. employees. Robert's 8% of company worth over $570 million. Josephine Haas, 81, owns stake worth over $380 million, shares rights to another 5.5% with ex-husband Peter Sr. Their son Peter Jr., 47, director, owns stake worth $590 million; their daughter Margaret Jones, 40, owns auto-racing team plus Levi's stock worth nearly $400 million. Rhoda Haas Goldman, daughter of Walter Sr.: 71. Married, 3 children, 1 deceased. Established Goldman Environmental Prize with husband Richard. Her share estimated over $420 million. Daniel E. Koshland Jr., sister Frances (Sissy) Geballe: children of Daniel Koshland Sr. (Walter Sr.'s cousin); Daniel Jr. owns stock worth almost $400 million. Sissy's stake: over $370 million.

Divided they stand
The Dart family, William and Claire (top) and son Kenneth with wife Janice and family. Two of William's sons changed their citizenship; the third has sued for a bigger piece of family fortune.

Anne Catherine Getty Earhart
Claire Eugenia Getty Perry
Caroline Marie Getty

Inheritance. Daughters of George Getty (d. 1973), son of renowned oilman Jean Paul Getty (d. 1976); collectively dubbed "Georgettes" by family. Anne: Laguna Beach, Calif. 43. Married, 2 children. Began squabble over half-uncle Gordon's *(which see)* control of Sarah C. Getty Trust, then backbone of Getty family fortune; also disliked handling of Getty Oil. Husband John former Peace Corps volunteer; now general partner San Diego Padres baseball team. Claire: San Francisco Bay Area. 41. Also married to Peace Corps man. Four sons. Amid initial Getty-Pennzoil deal, petitioned California judge for temporary restraining order that gave Bruce Wasserstein chance to bring in Texaco, resulting in Getty Oil sale, vast increase in family wealth, rise of Pennzoil's lawyer Joe Jamail to this list. Caroline: San Francisco. 38. Single. Active in preserving wildlife, environment. All very private. Each estimated near $570 million.

Stewart Bainum Sr.

Manor Care, Inc. Silver Spring, Md. 76. Married, 4 children. College dropout; plumbing contractor. Became builder during 1950s D.C. real estate boom; with brother, developed nursing homes. Idea: "Develop for investment rather than just building houses." Founded Quality Inns motel chain 1966; merged companies 1980. Manor Care now 167 nursing homes, 28 states. Affluent residents: 70% private pay. Still works 4 to 5 days a week. Philanthropist: sends inner-city children to private high schools, college. Son Stewart, 49, ex-state senator, lost race for U.S. House 1986; chairman 1987: "a logical progression in light of the election results." Sr. recently estimated about $570 million.

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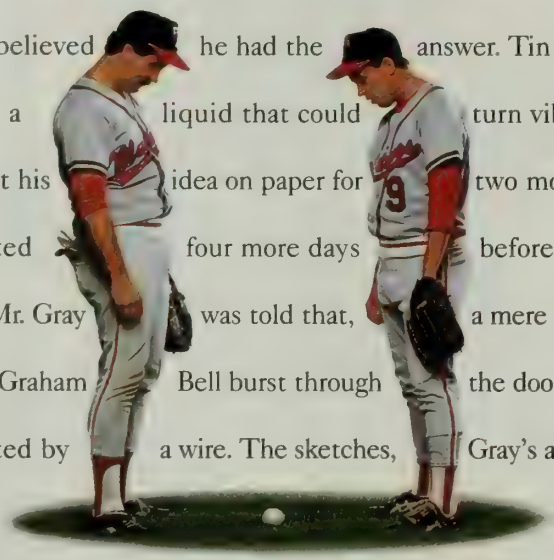
*I*n early 1874, an inventor named Elisha Gray transmitted a few faint musical notes over a telegraph wire. And if he could send music, then what next? The human voice. A word. Conversation. *The New York Times* reported predictions of a "talking telegraph," and the public grew eager for it. Just one year later, Gray believed he had the answer. Tin can-like voice chambers connected by a wire and a liquid that could turn vibrations into signals. But inexplicably, he didn't put his idea on paper for two months. And after finally making a sketch, he waited four more days before he went to the patent office. When he arrived, Mr. Gray was told that, a mere two hours earlier, a schoolteacher named Alexander Graham Bell burst through the door with his own sketch. Of voice chambers. Connected by a wire. The sketches, Gray's and Bell's, were identical. The two men were not.



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Roger Milliken
Textiles, investments. Spartanburg, S.C. 79. Yale. Married, 5 children. Seth Milliken cofounded dry-goods jobber 1865 with William Deering (who left, started what became International Harvester). Company financed fledgling southern mills, became owner of many in Depression. Grandson Roger: Longtime head Milliken & Co., largest private U.S. textile firm; sales estimated $2.8 billion, depending on automotive fabric sales: Roger hard-nosed on GM's price demands. Stresses R&D; cutting-edge technology. Georgia factory fire early 1995 cost estimated $200 million. Also controls Mercantile Stores Co. Secretive about business, vocal about politics: big-time protectionist. Estimated at least $560 million.

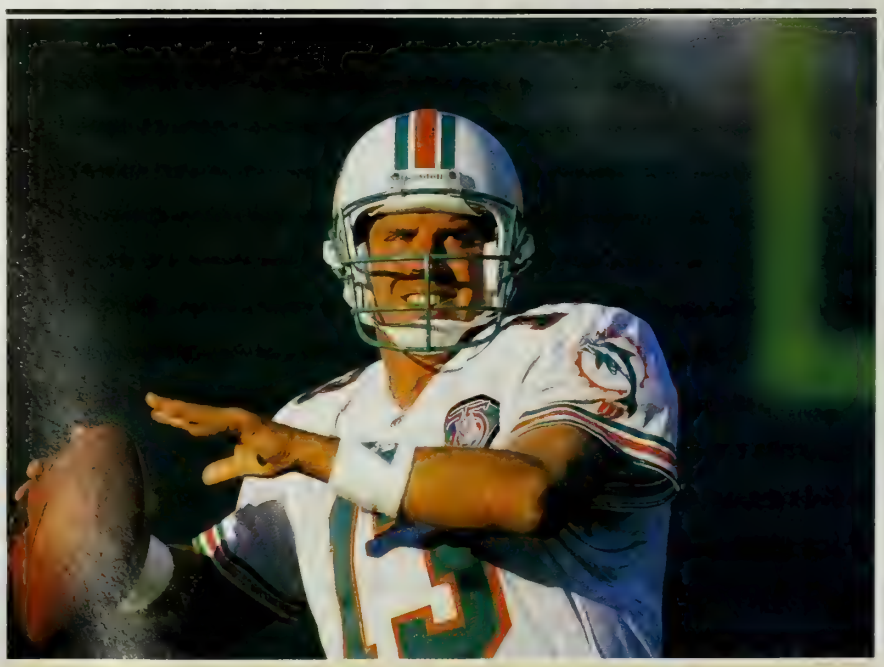
Perry Richardson Bass
Oil, investments. Fort Worth. 80. Married, 4 sons *(see other Basses)*. Nephew of oil tycoon Sid Richardson (d. 1951). Sid started with $40 from Perry's mother; left part of fortune to Perry, who built new $50 million oil empire. Ceded control to son Sid 1968; Sid joined forces with Richard Rainwater *(which see)*, younger brother Lee. Now Rainwater on his own; Perry joining Sid and Lee in deals: with Bass partnership Airlie Group, has large positions in nearly a dozen companies: RJR Nabisco, Beckman Instruments, John Wiley & Sons, etc.; lobbied for changes (board seats, mergers). Also cotrustee for entity controlling 5.8% Walt Disney, recently worth $1.3 billion. His share of pie estimated over $560 million.

John William Berry Sr. and family
Yellow Pages. Dayton, Ohio. 73. Twice divorced, remarried; 5 sons. Son of Loren M. Berry, who sold horseradish, then train schedule ad space as a boy. A traveling salesman, Loren arrived Dayton 1910 with ambition, $200. Convinced Dayton Home Telephone Co. to sell ads on yellow paper he could buy cheap. "Mr. Yellow Pages" died 1980 at 91, his product by then a part of the language. John Sr. bought out siblings, expanded. Sold L.M. Berry & Co., then second-largest Yellow Pages agent, for BellSouth stock 1986; retired 1987. John Jr.: 47, CEO Berry Investments (hunting supply company, security device firm, etc.). Assuming BellSouth shares still held, net worth estimated $560 million.

John C. Malone
Cable TV. Parker, Colo., 54. Married, 2 children. Yale; master's NYU; master's, Ph.D., Johns Hopkins. AT&T Bell Laboratories. Joined Bob Magness *(which see)* at Tele-Communications, Inc. 1973. To employees, Magness is "Bob," Malone, "Doctor." Stayed away from bankers; grew rapidly. Al Gore has called TCI "The ringleader of the cable Cosa Nostra" and Malone "Darth Vader." Creative with equity offerings: 1991 spun off TCI programmer Liberty Media; then sold TCI stock, borrowed, to buy Liberty stock; TCI stayed flat, Liberty shares "took off like a Saturn 5." Reacquired Liberty August 1994; plans more special TCI equities. After Bell Atlantic deal busted, link with Sprint. Recently worth some $560 million.

Leonard Abramson
U.S. Healthcare. Blue Bell, Pa. 62. Married, 3 daughters. Father's string of business failures had early impact: "Not too many people started out with less than I did. . . . I felt I had to be successful. . . . I would never go bankrupt." As early as 1971, believed HMOs most promising health care alternative. Started with $3 million federal loan 1975. By 1981 revenues up sixtyfold: smart marketing, low prices, efficient delivery, tough negotiation with providers. Still known for unusually high profit margin. Thought Clintons' health plan "a perverse socialism" that will "open up legitimate enterprises to political influence." Stock slammed April over aggressive pricing plans. His shares, etc. recently worth over $560 million.

Dewayne B. Reinhart
Wholesale food. La Crosse, Wis. 75. Married, 4 children. College interrupted by WWII: Army Air Corps. After war, sales manager for wholesale grocer. Bought small ($3 million sales) wholesaler Gateway Foods 1956 with partner David Nudd. Ex-



Miami Dolphins quarterback Dan Marino has more than his offensive line to be thankful for **Dolphins owner H. Wayne Huizenga gave Marino a great stock tip in Republic Waste Industries Inc., a company in which Huizenga bought a controlling stake. Marino's shares have risen fivefold since his investment.**

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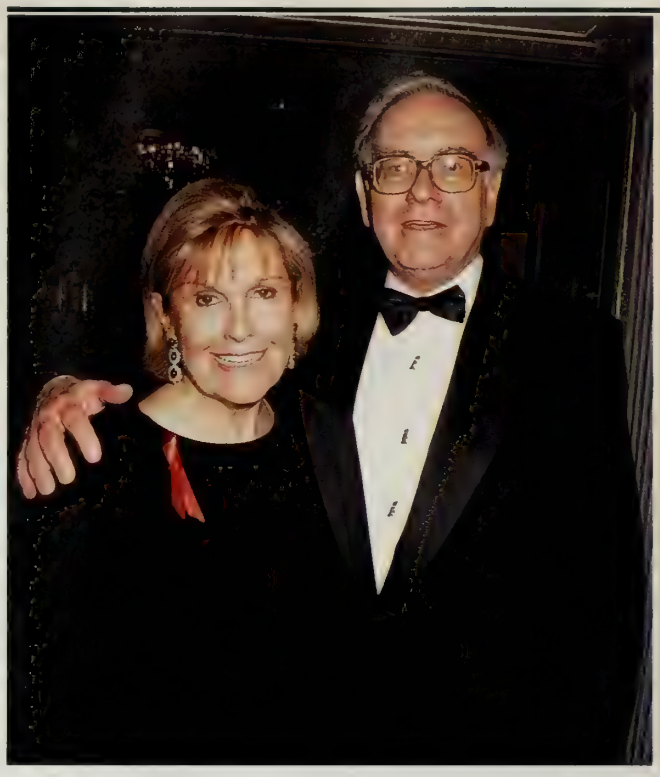
panded, bought out Nudd 1979. Kept company private, safe from takeovers for another decade, sold 1989 to Scrivner for estimated $300 million aftertax. Got back in game with Reinhart Institutional Foods; still making acquisitions. Stock-heavy investment portfolio getting boost from bull market. Gives to local charities, schools. Hot-tempered as boss, known as "Rhiny" and La Crosse's "900-pound gorilla," estimated worth a hefty $550 million.

Donald J. Schneider
Trucking. Green Bay, Wis. 59. Married, 5 children. St. Norbert College B.S. 1957; M.B.A. Wharton 1961. Father, Al, started one-truck business Green Bay 1938. Don part time in college; management 1960. By 1980 Schneider National near $250 million revenues. Then, deregulation. Don ready: merit pay, strong customer service, excellent logistics. Succeeded brilliantly amid brutal competition: 1994 revenues $1.3 billion. Supports full deregulation, refuses to file required data with ICC. Satellite antennas on every truck by 1988. Aggressive rail/road combinations. Also Schneider Communication, long-distance provider. "A lot of opportunity goes to those willing to take the risk." Estimated over $550 million.

John Edward Anderson
Beverage distribution, etc. Bel Air, Calif. 78. Widowed, remarried; 5 children (1 died in accident 1969). Peddled popcorn outside Dad's Minnesota barbershop; Western Union messenger. UCLA: hockey team, taught ice skating; Harvard M.B.A. 1942; night law school Loyola. Cofounder LA law firm Kindel & Anderson 1953. Some clients beverage distributors. Saw business, liked it. Formed Ace Beverage Co. 1956; learned business from distributor clients, distributed then-minor Budweiser. Grew with Bud; added banks, insurance, real estate along the way: "You need enough cash cows to feed your pigs." Quiet $15 million to UCLA business school 1987. Net worth estimated over $550 million. "I still have trouble paying 75 cents for a Snickers."



Mr. and Mrs. Warren Buffett
Warren's separated wife, Susan, seems so youthful we inadvertently ran their daughter Susan's picture under her name in 1993. At least we're in good company (see p. 220). Here, the world's second-richest couple.

Robin Platzer/Twin Images

Donald George Fisher
Doris F. Fisher
The Gap. San Francisco. Donald, 67; wife Doris, 64. Three sons. Don: Berkeley swimming/water polo star, former real estate developer. Doris: cofounder, merchandising consultant to Gap. First Gap (as in generation gap) 1969; pioneered customer convenience by arranging by size, not style; initial efforts to sell records along with jeans lasted three months. With-it image, jeans, customer orientation proved big, long-lasting retailing success nationwide. Expanded with Banana Republic (1983), GapKids (1986), Old Navy Clothing Co. (1994). Hemisphere, (1987), European-style clothing venture, discontinued 1989. Five class action shareholder lawsuits filed 1987 charging misrepresented financial condition dismissed 1989; similar 1976 suit had resulted in $5.8 million out-of-court settlement. Currently 1,582 stores in U.S. (including Puerto Rico), Canada, U.K. and France. Sons: Robert, 40, is CFO; William, 38, president international operations; John, 34, part owner SF (baseball) Giants with father. "You have to differentiate yourself . . . brand equity is the key." Donald and Doris together recently worth at least $1.1 billion.

John Hammond Krehbiel Jr.
Frederick A. Krehbiel
Brothers. Molex Inc. Lisle, Ill. Grandfather Fred invented "molex," inexpensive plastic with mix of coal tar pitch and asbestos fiber residue. Company made clock cases, flower pots, etc. Father John Sr. (d. 1993) joined 1940; president 1947. Instrumental in switching from commercial to electrical market: terminals, connectors, cables. Took Molex public 1972; expanded overseas. Old-fashioned family business. John Sr.: "When my two sons were learning the business, I kicked their asses all over the place." John Jr.: 58. Married, 3 children. B.A. Lake Forest College 1959. Joined company out of college in product-pricing dept.; president 1975. Fred: 54. Married, 2 sons. B.A. Lake Forest College 1963. Worked as executive at Chicago White Sox; uncle Bill Veeck then owner. Joined Molex 1965 but planned career in foreign service; took temporary Molex assignment to develop overseas operations. Now chairman/CEO. Established international division 1967: "What we have learned globally has vastly increased our ability to compete locally." Fiscal 1995, hit $1 billion revenue for first time. Pete, son of John Jr., fourth-generation Krehbiel

to join Molex (1987); promising engineer with Dartmouth B.S., elected to board 1993 after grandfather's death. John Jr.'s shares recently $550 million; Fred's $460 million.

Barbara Hall Marshall
Elizabeth Ann Reid
Sisters. Hallmark Cards. Daughters of Joyce Clyde Hall, preacher's son who sold postcards at age 15, then brought manufactured sentiment into the ranks of big business. Added TV to cards 1951 with Hallmark Hall of Fame series; featured Shakespeare, other classics: "Good television is good business." Died 1982. Son Donald *(which see)* now Hallmark chairman. Sisters not involved in running company, "just plain Midwest folk who happen to be the progeny of genius." Barbara: Kansas City, Mo. 71. Widowed, 2 children. Design critic. "Looks like any midwestern lady who shops at Saks." Elizabeth: Denton, Tex. 73. Divorced, 5 children. Reclusive. Sisters split one-third company stock. Each estimated worth $550 million or more.

Claude B. (Doc) Pennington
Oil, gas. Baton Rouge, La. 95. Married; only son killed in oil rig accident 1958; 3 grandchildren. Labored summers in Louisiana oilfields. Joined father 1925 as optometrist; hated profession; closed clinic day after father's death; returned to oilfields. On leased land made first known oil discovery east of Atchafalaya River; traded leases; bought Port Hudson properties mid-1950s; deep drilling began 1970s. Local banks' favorite depositor: rumored to have over $100 million cash. Gave LSU $125 million for nutrition center: ardent believer in healthfulness of peanut oil, vitamins E, C. "Someday I'm going to be an old man. I'd like for science to prolong my health." Working so far. May be worth $550 million or more.

Melvin Simon
Shopping centers. Indianapolis, NYC et al. 69. Divorced, remarried; 5 children. Mel, brother Herb attended City College of New York. Mel moved to Indianapolis during Korean War service, stayed. Became leasing agent: "It was easy money." Sent for Herb; duo made fortunes covering Midwest with vast acres of unpretentious shopping malls. "Meshuggener Mel" known for colorful clothing, exuberant manner; flirted with Hollywood 1970s, producing *Porky's*, etc. Pair own Indiana (basketball) Pacers; 22.5% Minneapolis' gigantic Mall of America. Put 53% of their 69-million-sq.-ft. shopping mall empire in 1993 IPO. Exaggerated occupancy rate at Mall of America. Mel now estimated $545 million. Herb: "We are just a couple of naive guys from the Bronx, right?" Right.

Ernest E. Stempel
American International Group. Hamilton, Bermuda. 79. Widowed, 4 children. Referred by uncle, joined predecessor of AIG as assistant manager 1938, then only 23 other employees. Destroyer officer in Pacific WWII. Rose through AIG ranks, law school at night. Packed off to Bermu-

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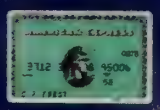

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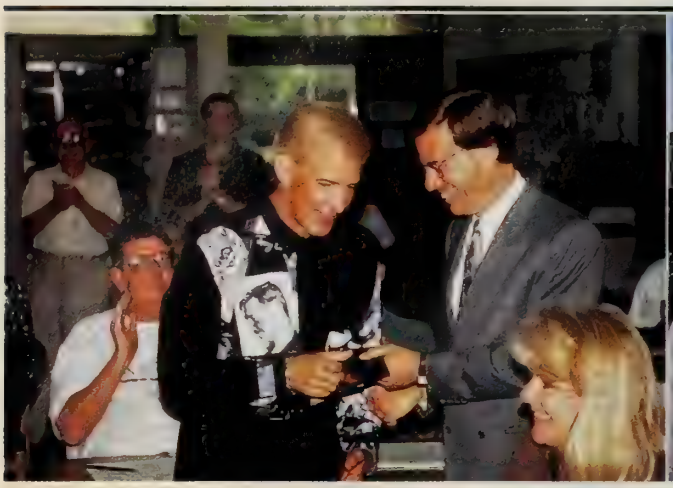

The Milken brothers, Michael (right) and camera-shy Lowell (at right in left-hand photograph), make appearances at Milken Family Foundation events

The foundation has given cash to underpaid educators since 1987 and, more recently, money for prostate cancer research.

da by founder Cornelius Vander Starr 1953 to run subsidiary American International Reinsurance's general insurance operations. 1963 took over Airco's life insurance, made president. Extensive business travels: says knows cities and villages of Southeast Asia better than U.S.; weekly Bermuda-NYC commute. Now oversees AIG worldwide life insurance. Stempel's shares recently worth over $535 million.

Ann Walton Kroenke ★
Nancy Walton Laurie ★
Inheritance. Daughters of James L. (Bud) Walton (d. 1995). Bud operated small 5-and-10 in Missouri. Pooled fortunes with older brother Sam Walton (d. 1992) when Sam's merchandising concept, large discount stores in rural towns, took off. Brothers expanded to 16 stores in 10 years, became Wal-Mart 1962. Mastered logistics of supplying, managing large chain. Bud, low profile, quiet; ran real estate. Sam on brother: "He has common sense and superior judgment, and I have listened to him more times than folks realize." As senior VP spent much time fishing at exotic locales; Venezuela, Argentina, Alaska, etc. Preferred solitude of fisherman's boat to Bentonville headquarters. Died of aneurysm reportedly suffered while on Caribbean fishing trip. Divorced, left behind 2 daughters: Ann Kroenke of Columbia, Mo. Married to E. Stanley Kroenke, minority owner of St. Louis Rams. Nancy Laurie of Columbia, Mo. Apparent inheritors of Wal-Mart fortune from world's richest good ol' boy, recently estimated $1.05 billion.

Richard Farmer
Cintas Corp. 60. Indian Hill, Ohio. Married; 3 children, 10 grandchildren. Miami (Ohio) U. Marines; discharged for ear problem. Grandfather started industrial rag cleaner 1929. Richard joined company 1957, convinced father to switch to uniform rental. From rags to riches: record sales, earnings for 26 years; 15% market share. "I've always been a visionary." President, CEO from 1968. In 34 states, Canada; since Nafta, looking at Mexico. Continues expansion in industrial market. Wants more waiters and pilots to start wearing Cintas uniforms, too. Works Saturdays, family picnics Sundays. Republican. Voracious reader. Unremarkable golfer, fly fisherman. His shares recently worth $525 million.

Edward J. DeBartolo Jr.
Shopping centers. 49. Youngstown, Ohio. Married, 3 daughters. Attended Notre Dame. Father Edward J. Sr. (d. 1994) wrote contracting bids for non-English-speaking stepfather at age 13. Studied civil engineering Notre Dame; Army engineering WWII. Took over family business 1944, built first shopping center 1948. Saw suburban malls as "the new downtown." Took risks, built vast shopping center empire; net worth over $1 billion before early 1990s real estate crash, debt crunch. Family took many malls public in 1994 REIT, climbed out of debt hole. Ed Jr.'s biggest single personal asset: San Francisco (football) 49ers. Business success without Dad remains to be seen. Estimated worth $520 million.

Richard Alexander Manoogian
Masco Corp. Grosse Pointe Farms, Mich. 59. Married, 3 children. Armenian immigrant father, Alexander, founded Masco Screw Products Co. 1929. Perfected Delta faucet, one-handle control of temperature and water flow; prospered mightily. Richard, Yale grad, took over 1968. Expanded, diversified by acquiring well over 100 companies; targeted low-tech industry, high-margin firms. Today chairman Masco Corp., home furnishings/improvement; MascoTech, engineered products for auto industry; TriMas Corp., trailer hitches, specialty fasteners, container products. "Nothing we develop is the stuff dreams are made of—they just make money." Avid, respected collector of 19th-century American art. Estimated $515 million.

A promise some things will be more important to me than leaving the house at 7:15.

A promise not to care if you'd rather play the drums than football.

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Patrick Ryan
Insurance. Winnetka, Ill. and Lake Geneva, Wis. 58. Married, 3 sons. Son of Milwaukee Ford dealer. Northwestern football scholarship. Sold Penn Mutual insurance for 5 years. Founded Pat Ryan & Associates 1964, with unique approach. Sold policies through car dealerships. Salesmen, "Pat Ryan's altar boys"; squeaky clean image. Merged with Combined International Corp. 1982; renamed Aon Corp. (Gaelic for "unity") 1987. Never stopped growing: "We like to buy when others are afraid and values are low." Bought majority Pecos River Learning Centers 1994. Part-owner Chicago (football) Bears. Slowed down for quadruple bypass surgery, August 1994. Estimated over $510 million.

El Rechman

George B. Kaiser
Oil and gas. Tulsa. 53. Married, 3 children. Father fled Nazi Germany 1938, settled in Tulsa. George to Harvard for B.A., M.B.A.: says undergraduate experience was valuable, but B-school time could have been better spent. After school, took over Kaiser-Francis oil 1969; built into one of largest private gas producers in Oklahoma. Not encouraging children to enter cutthroat business: "Gas is the only commodity you can legally steal" from neighbors. Hostile $175 million bid for Prudential-Bache Energy Partnerships spurned 1993. Bought distressed Bank of Oklahoma 1991, now his biggest single asset. Even with gas, oil prices off this year, net worth estimated more than $500 million.

Michael Robert Milken
Lowell Jay Milken
and families
Brothers. Junk bonds. Michael: LA. 49. Married, 3 children. Berkeley, Wharton M.B.A. Joined Drexel Burnham Lambert 1969; built into powerhouse for high-yield—"junk"—bond financing, fueled 1980s LBO boom. Salary, bonus $550 million 1986 alone. Squealed on by arbitrager Ivan Boesky; pleaded guilty to 6 felony counts securities laws violation. To prison 1991; released after 22 months of 10-year sentence. Paid $900 million settlement to government, creditors, litigants. Prostate cancer in remission; set up cancer foundation. Developing educational/entertainment cable channel, EEN Communications Network. Lectured at UCLA's Anderson Graduate School of Management: deal to sell videotapes, keep 95% of profit caused furor; canceled. Trusts for children in fund set up to buy debt of Heron International N.V., troubled owner European office buildings. Other reported investors: former Drexel clients Rupert Murdoch, Steve Wynn. Once community service finished (March) plans "to build a company with my ideas rather than pass them all off to others." After settlement, with family trusts, may exceed $500 million—some say much more. Brother Lowell: LA. 46. Married, 4 children. Berkeley, UCLA Law. Joined Drexel 1978; Michael's right-hand man, tax planner, in Drexel partnerships with brother. Michael's deal with prosecutors on guilty pleas: drop racketeering charges against Lowell. Spends time on family foundation. Net worth, with family, believed over $400 million.

Mark Hume McCormack ★
Sports management. Cleveland, NYC. 64. Married; 2 sons, 1 daughter. Son of Chicago farm journal publisher. Childhood injury ruled out contact sports: chose golf. As top golfer at William & Mary played against, befriended Arnold Palmer. Yale Law; Army stint; Cleveland Law firm. Booked exhibitions on side for pro golfers. Palmer, others asked McCormack to review endorsement contracts. Started International Management Group late 1950s, Palmer only client; soon signed Jack Nicklaus, Gary Player. Built global management juggernaut: more than 1,000 sports, business, entertainment clients; owns several golf, tennis events. As sole owner IMG, should be worth over $500 million, perhaps far over.

John Arrillaga
Richard Taylor Peery
Partners. Real estate. Palo Alto, Calif. John: 58. Married; 1 son, 1 daughter. Son of immigrant Basque produce wholesaler; won basketball scholarship to Stanford, third-team All-America. Worked as landscaper during college, became real estate broker after graduating. Richard: 55. Married; 3 sons, 1 daughter. Mormon, son of Bank of America exec. Stanford M.B.A.; managed father's Bay area real estate. Different backgrounds but shared distaste for one-story concrete bunkers used by Silicon Valley high-tech firms; got together 1967. Easy Bank of America financing, bought farmland cheap,

Henry Bloch showing off a Manet **The discount stockbroker has quietly been assembling one of the great privately held collections of French impressionist art.**

built top-shelf office space. Sold some at top of 1980s market, built more. Insist on conservative, ultra low-debt operation. Thousands of acres yet to be developed. Dick: tough businessman, writes leases, minds books; outdoorsman. John: visionary architect, master salesman; personally assisted landscapers working on his $50 million, 200-acre private Shangri-La (man-made lakes, 70,000 new trees, etc.). With market stirring, watch for new activity. Odd couple split fortune worth more than $1 billion.

Guilford Glazer
Real estate. Beverly Hills. 74. Divorced, remarried; 2 children. Expanded father's welding shop Knoxville, Tenn.; started as builder 1950 with apartment house for widowed mother. In 1954 built Oak Ridge, Tenn. shopping center, sold 1989 for $45 million. Moved to LA 1960; liked climate. Opened largest U.S. retail-only mall, Torrance, Calif.'s nearly 3 million-sq.-ft. Del Amo Fashion Center 1971. Has office buildings Atlanta, Boston, Pittsburgh; Holiday Inns, industrial buildings. Says no debt on many properties: "Pay your debt, then you don't have somebody else controlling you." Active in U.S.-Israel relations; built Israeli community center with buddy Armand Hammer. Estimated $500 million or more.

Marvin Herb
Bottling. Chicago. 58. Married, 2 children. Born upstate N.Y.; U. of Buffalo, U. of Toledo M.B.A. Bronx plant manager for PepsiCo; president Pepsi-Cola Bottling of Indianapolis 1972. To Borden that year; became president consumer products division. Saw chance: bought Coke's bottlers for Indianapolis (against own old organization at Pepsi), Chicago 1981. Later added plants Milwaukee; Rochester, N.Y.; Pittston, Pa. Now Coke's third-largest bottler, estimated 90 million cases sold in 5 states. Intensely private, hates publicity. Also frugal: for business, flies coach. Notoriously tough manager, aggressive labor negotiator. No plans to cash out: "I'm a buyer, not a seller." Estimated at $500 million.

Phillip Frost
Medicine. Miami Beach. 59. Married, no children. U. of Pennsylvania, Albert Einstein College of Medicine. Dermatologist, invented disposable biopsy device 1969. Took over struggling Key Pharmaceuticals 1971, developed new delivery systems for old drugs. Sold to Schering-Plough 1986 for stock. Founded IVAX, high-flying health care conglomerate 1987, now one of largest generic drug firms. Began with small companies, rights to salable drugs to generate immediate revenues, fund growth, acquisitions. Motivation: "ego . . . the chase and success." Recently invested in Toronto-based stamp printer MDC Corp. Active civic affairs, philanthropy; wife retired elementary school principal. Estimated near $500 million.

George Phydias Mitchell
Oil & gas, real estate. Houston. 76. Married, 10 children. Son of Greek immigrant. Texas A&M 1940: graduated top of class in petroleum engineering, captain of tennis team while working way through. Army engineer WWII. Discovered natural gas field North Texas 1953: soon supplying 10% of gas used in Chicago. Bought the Woodlands early 1960s: created 25,000-acre, ultimate planned community: "Give us 40 years and we'll transplant the entire social, economic, and ethnic/minority mix into the Woodlands." Adamant in transforming Houston region into center of biotech R&D: "Biotech takes a long time, but if you get a hit, it's a real hit." His Mitchell Energy, etc. recently worth $500 million.

Albert Lee Ueltschi and family
FlightSafety International. Irving, Tex. 78. Widowed, 4 children. Opened hamburger shop at 16 to pay for flying lessons; borrowed $3,500 against his business to buy first plane. For 20 years, personal pilot to Juan Trippe, founder of Pan Am; saw lack of properly trained pilots for commercial aircraft. Started FlightSafety 1951; mortgaged his house 1954 to purchase own simulator. Used off-duty hours for business, did not quit Pan Am until 1968. "I built this damn thing from nothing, and I did it clean. Nobody can take that away from me." Expanded to training in marine operations. Now 40 learning centers, over 160 simulators. Shares of chairman/president, family recently worth over $500 million.

Frank Pritt ★
Attachmate Corp. Seattle, Wash. Connectivity software. 53. Married, 3 children. B.S. Northrop Institute of Technology. Worked for IBM (sales), Harris Corp. (product man-

Acing The Quality Test

By Richard A. Rabicoff

REMEMBER YOUR TOUGHEST TEACHER in school? The one who gave tons of homework and virtually no A's?

Well, multiply that by ten and you have Mazda Motor of America, Inc.

"We're customer-sensitive, which means only total quality will do," says Tom Leimkuhler, Manager of National Logistics for the $6 billion international auto maker. Underscoring this priority, Mazda has established a rigorous Total Logistics Quality program for transportation providers. Carriers are graded in 24 categories, ranging from technical skills to on-time performance to employee attitude.

One company, CSX Intermodal, stands at the head of the class in their carrier group.

"CSXI scores impressively in every facet of the program. The more freight we give them, the better they perform," says Mr. Leimkuhler, who is responsible for more than 75,000 different auto parts sourced from Japanese and U.S. vendors for rapid shipment across the country. He needs a long-haul service that melds steamship lines, trains, and motor carriers into one continuous flow.

Mr. Leimkuhler says, "We have major distribution centers and hundreds of dealerships counting on us. Everything from quality of the containers to on-time delivery must be letter perfect. CSXI fills the bill. We entrust a significant volume of containers to them, and we receive stellar service every time out. Our use of CSXI has increased 26 percent during the past year."

How does CSXI meet Mazda's lofty expectations? By drawing on fellow CSX subsidiary, Sea-Land, to move overseas freight to U.S. ports, for a quick hand-off to CSXI ground transport. "We see them as a single company, operating in the foreign and domestic arena," says Mr. Leimkuhler. "And Interstate Consolidation, the third-party member of the team, plays a pivotal role in reinforcing this synergy. Importantly, we won't have to fight for intermodal service space once the freight comes to port."

Mr. Leimkuhler further emphasizes the effective communication among all parties. "CSXI's electronic data systems enable us to constantly track progress, so our distribution centers can maintain iron-tight schedules.

CSXI also generates monthly reports, which enable us to project our logistics and site-planning needs for this year and even three to five years in advance. This is an invaluable planning tool.

"CSXI is always looking to provide extra service or customize a new approach," adds Mr. Leimkuhler. "Our goal is to provide a world-class product with superior service delivery. We want to be the best. CSXI understands that goal and shares our high standards. They save me time, money, and resources. We expect them to help carry us, literally, into the 21st century."

Ronald T. Sorrow, Senior Vice President at CSX Intermodal, says, "Mazda stretches us to the limit, which helps make us a better company. Our resources, from partners like Interstate Consolidation to our equipment and technologies, come into play in this dynamic relationship. We are excited about future opportunities to help Mazda meet its goals, in the U.S. and globally."

Mazda and CSXI. When it comes to smart transportation, they're in a class by themselves. ■

ager). Witnessed dawn of personal computer, foresaw market for connecting PCs to IBM mainframes. Harris uninterested. Pritt quit 1984; with $150,000 retirement money, started Attachmate Corp. in living room. Hours after resignation, stumbled across ad for his brainchild from computer firm DCA. "I thought I was the only one who thought of this thing. It was sort of gruesome." Went ahead anyway. Has since bought out some competitors, including DCA 1994; forecasts $450 million 1995 sales. Pritt kept 70% estimated $500 million or more.

Father Laurance S. (left) and son Laurance (Larry) Rockefeller
We have company (see p. 212). In May the New York Times and NBC News mixed up this parent-child act. Notice the uncanny resemblance.

Amar G. Bose
Loudspeakers. Wayland, Mass. 65. Married, 2 children. Born Philadelphia to Indian immigrant. MIT: B.S./M.S. 1952; Ph.D. electrical engineering 1956. Holds patents in acoustics, electronics, communication theory. Started Bose Corp. 1964. First, R&D contracts with military, NASA. Consumer loudspeakers best in field 1968. Introduced world's first factory-installed customized car stereo system 1982: Cadillac, then Mercedes, Nissan et al. Also in corporate jets, home theater systems. Company claims sales over $600 million. Reinvests profits in R&D, growth. Still MIT professor (electrical engineering, computer science). His share of company estimated around $500 million.

Thomas Stephen Monaghan
Domino's Pizza. Ann Arbor, Mich. 58. Married, 4 daughters: one is company spokeswoman. Fatherless at 4, raised with brother in Catholic orphanage. Expelled from seminary; joined Marines. With brother, $500 loan, bought pizzeria Ypsilanti, Mich. 1960. Traded VW for brother's share 1961. Started "30-minute delivery" system, built giant chain. Lately, troubles: took eye off ball. Closed 100 stores 1993, sales dipped to $2.2 billion at 500 company stores, 4,600 franchises. Reason given: sin of pride. Sold Detroit (baseball) Tigers to rival Michael Ilitch *(which see)* 1992. Other assets, e.g., Frank Lloyd Wright designs, sold at "fire sale" prices. But expanding overseas: Mexico big. Estimated over $500 million.

William Gordon Bennett
William Norman Pennington
Gambling. Ex-partners. Cofounded Circus Circus Enterprises. Bennett: Las Vegas. 70. Married, 2 children. Pennington: Reno. 72. Widowed, remarried; 2 children. Pair realized unserved gambling market: vacationing families, middle class. Opened Circus Circus 1968, Vegas casino with clean image, entertainment. Hit jackpot. Bennett, former furniture store owner, known as aggressive cost-cutter who won't give gamblers credit. Stepped down as CEO February 1994, officially to spend more time with his wife, hobbies of boating and sailing. Reportedly forced to step down July 1994 as chairman amid takeover rumors. Left board altogether May after settling lawsuit filed by Circus over acquisition of Sahara Gaming's Hacienda casino. Within months, Bennett bought its Sahara Hotel for $193 million. Competition brewing? Pennington (flew bombers WWII): "America needs casinos the way it needs swimming pools, resorts, the beach." President Circus from 1979, retired 1988; enjoys boating, horseback riding. Both philanthropic. Bennett's net worth estimated $500 million or more; Pennington's, estimated $460 million or more.

Andrew J. Perenchio
TV, films. Bel Air, Calif. 64. Twice divorced, 3 children. Son of Fresno vintner. Attended UCLA; booked bands, catered frat parties. Joined MCA 1958; founded talent agency 1963; clients: Liz Taylor, Marlon Brando. Promoted Ali-Frazier fight, etc. With Norman Lear 1974 created *All in the Family*, Embassy Pictures. Sold 1985 to Coca-Cola for $485 million. Bought Loews theaters for $160 million, sold 1986 for reported $300 million. With Charles Dolan, Robert Bass *(see both)*, failed bid for Time 1989. With Mexican billionaire Azcarraga et al. bought Univision from Hallmark *(see Donald Hall)* 1992: big U.S. Spanish-language TV network. Estimated over $500 million.

Patrizio Vinciarelli ★
Vicor Corp. Boston, Mass. 48. Divorced. U. of Rome Ph.D. physics, 1970. Taught physics at Princeton University. Founded Vicor Corp., maker of power supplies for electronic equipment, 1981; reportedly with $500,000 borrowed from friends, no business experience. "I just knew that I could do this—I may have been naive, but I wasn't scared." Likes to cook, best dish: Roman artichokes. Used to prepare Saturday breakfast for exec meetings: "to converse while eating is an important part of life." Vicor Corp. one of Forbes 200 best small companies 1994. President/chairman. Listens to Mozart at work. His share of Vicor recently worth $500 million.

Carl Celian Icahn
Finance. NYC. 59. Getting divorced, 2 children. Grew up middle class, NYC's Queens. Schoolteacher moth-

er; father, frustrated opera singer, cantor at local synagogue; read Schopenhauer to Carl. Princeton scholarship; medical school dropout. To Wall Street with $4,000 poker winnings. In 1962 crash had to sell convertible. Borrowed $400,000 for NYSE seat 1968; bought into firms that had to improve, buy him out or spin off. In 1980s ACF, TWA, USX, Texaco. Lately, debt restructurings, often pitted against fellow vulture investor Leon Black. TWA out of Chapter 11 but shaky: Icahn could be liable for pension payments $30 million a year for 8 years. Estimated worth $500 million or more, depending on liability.

John R. Stanley

Gas. Houston. 56. Married, 4 children; 1 son disowned. Son of Mass. schoolteacher; pumped gas, leased Gulf station while student. By mid-1970s 230 Gasland outlets; bought refinery Good Hope, La.; began oil drilling. Hit gas big-time in Laredo field. Invested in ammonia plant; prices plummeted; bankrupt 1975. Held off creditors; saved by 1979 oil shock; paid off, borrowed $750 million to expand refinery. Bankrupt (again) 1983. Sued creditors; bought time; out of Chapter 11 1993, kept gas; borrowed $500 million to revamp refinery. Paid that off. Borrowed $800 million more in June to explore new fields. Estimated $500 million. "You take John out of the picture and [the company's] probably worth a lot more."

John D. Hollingsworth

Textile machinery, real estate. Greenville, S.C. 77. Divorced, 1 daughter. Father serviced cotton mill machines and yarn-making equipment in Depression. John took over 1942, age 24. Navy machinist WWII, while wife Ella Mae ran company. Refined carding machines; propelled productivity from 10 lbs. of yarn an hour to over 40. Guaranteed repair service within 48 hours. Bought prime land Greenville, elsewhere. Family, IRS problems 1960s. Diagnosed paranoid schizophrenic; used as defense against IRS. Bought thousands of obsolete carding machines, arranged in field; has lived in trailer on plant grounds since 1964. Textile business hurt by international competitors, but net worth still estimated $495 million.

Alpheus Lee Ellis and family

Banking, real estate. Tarpon Springs, Fla. 89. Widowed, 1 daughter. Started New Year's Day 1920 cleaning spittoons in father's Alabama bank for $8 a week. Moved to Florida 1925. Bought control Sarasota State Bank 1943; president until 1946. With wife acquired 81 bank branches in Florida. Merged Ellis Banking Corp. with NCNB 1984 for 4 million shares, guarantee of lifetime job. NCNB merged with C&S/Sovran, acquired others, now NationsBank Corp. Ellis still senior chair of subsidiary NationsBank of Florida. "I don't do anything but work. I used to play golf. I made a hole in one once, so I quit." Keeps close tabs on his own money, which FORBES estimates over $490 million.

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Caroline Rose Hunt and family
Inheritance, oil, real estate. Dallas. 72. Twice divorced, 5 children. Second daughter of legendary oilman H.L. Hunt *(see also Ray Hunt)*. After brothers' (William, Lamar, Nelson) failed silver corner 1980, she and older sister *(see Margaret Hunt Hill)* separated their holdings 1983. Caroline invested in luxury hotels, thrifts. Her healthy Southwest Savings took over 4 insolvent thrifts 1988; failed 1990. May have saved taxpayers money but estimated cost still over $4.5 billion. Sold most domestic oil properties for about $275 million 1990. Real estate interests pared down; owns swank Dallas hotels, including part of Crescent; lucrative North Sea oil interests. Caroline said to live frugally on estimated $490 million.

Peter M. Nicholas
John E. Abele
Medical devices. Boston area. Founders Boston Scientific, 1979. Nicholas: 54, cochairman, president/CEO. Married, 3 children. Wharton M.B.A. 1968. Married Ruth Virginia Lilly, great-great-granddaughter of pharmaceutical mogul, Eli Lilly *(see family)*. Worked at Eli Lilly after M.B.A.. Abele: 58, cochairman. Married, 3 children. Amherst College; philosophy/physics. Sold medical devices. Two met by chance over kids' soccer match. Of their complementary skills and personalities: "He [Nicholas] is more interested in the deal and the structure. I'm more interested in the vision, if you will, what could happen, what might become." First product for Boston Scientific: catheters for gall bladder surgery. Soon expanded to catheters for heart, vascular, respiratory procedures. Went public 1992 to buy back 20% stake held by another biotech firm. Recently purchased two catheter makers, "doubling the revenue base" of nearly $450 million for 1994. Abele's personal, trust shares recently worth $400 million. Nicholas' personal, trust shares, $485 million.

James H. Clark ★
Netscape. 51. Woodside, Calif. Ph.D. Computer Sci., U. of Utah. Associate prof, left Stanford 1982; founded Silicon Graphics. Goal: inexpensive, realistic 3-D computer graphics system.

Ralph Barrera/Austin American-Statesman

H-E-B Foods' Charles Butt with former Texas governor Ann Richards
In an effort to jazz up the grocery business, Butt is bringing the trendy megastore concept to food. The first of these stores, Central Markets, opened last year in Austin.

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[1]WORTH'S RANKING IN ITS MAY 1995 ISSUE BASED ON AN ANALYSIS OF LIPPER ANALYTICAL SERVICES DATA COMPARING ANNUALIZED RETURN OF 138 EQUITY-INCOME FUNDS FOR THE FIVE YEAR PERIOD ENDED 3/23/95, ASSUMING REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS.
[2]MONEY MAGAZINE'S RANKING OF THE INVESCO INDUSTRIAL INCOME FUND IN ITS FEBRUARY 1995 ISSUE BASED ON A MORNINGSTAR ANALYSIS OF THE AVERAGE ANNUAL RETURN OF 122 TOTAL RETURN FUNDS FOR THE FIVE YEAR PERIOD ENDED 12/31/94, ASSUMING REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS.
TOTAL RETURN ASSUMES REINVESTMENT OF ALL DIVIDEND AND CAPITAL GAIN DISTRIBUTIONS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT, WHEN REDEEMED, AN INVESTOR'S SHARES MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. INVESCO FUNDS GROUP, INC., DISTRIBUTOR.

Eugene (J. Paul Jr.) Getty and his new wife
Wedding bells rang last year for J. Paul Jr., 63, who married his longtime companion, former model Victoria Holdsworth.

First 3-D work station 1984 retailed $75,000. Company's computers produced dinosaurs in *Jurassic Park*. Quit as chairman 1994. Next venture: commercial software to navigate Internet's World Wide Web. Founded Netscape 1994; signed first employee: Marc Andreessen, key programmer of Internet software tool "Mosaic." Went public August; stock opened at 28, closed day at 58 despite prospectus disclosure: no earnings yet, none "for the foreseeable future." His shares recently worth $485 million.

Irénée du Pont Jr.
Irene Sophie du Pont May
Constance Simons du Pont Darden
Octavia Mary du Pont Bredin
Lucile du Pont Flint
and families

Brother and sisters. Inheritance. Children of Irénée Sr. (d. 1963), president Du Pont Co. 1919-26 *(see family)*. Irénée Jr.: Montchanin, Del. 75. Married, 5 children. With Du Pont Co. 32 years, retired as senior VP 1978; left Du Pont board 1990, Wilmington Trust Board 1992. Still director family Longwood Foundation. Oversaw merger of family holding company Christiana Securities with Du Pont 1977 (after antitrust pressure). Irene Sophie (Mrs. Ernest May): Wilmington, Del. 94. Widowed, 4 children. Constance Simons (Mrs. Colgate W. Darden Jr.): Norfolk, Va. 91. Widowed, 3 children. Husband (d. 1981) governor Virginia 1942-46. Octavia Mary (Mrs. John Bruce Bredin): Greenville, Del. 82. Married, 6 children. Lucile Evelina (Mrs. Robert Baronet Flint): Greenville, Del. 80. Married, 5 children. Sister Margaretta Lammot (Mrs. Crawford H. Greenewalt) died 1991; 2 others, Eleanor Frances (Mrs. Philip Gordon Rust) and Mariana (Mrs. Henry Harper Silliman), died 1992. The 5 surviving siblings and families share a fortune estimated around $2.4 billion: more than $480 million each branch.

Charles Thomas Munger

Berkshire Hathaway. LA. 71. Married, 8 children. U. of Michigan 1941-42; Cal Tech 1943 while in Air Force. Postwar, Harvard Law School, J.D. 1948 magna cum laude. Lawyer in LA 1948-65; retired from firm he cofounded, Munger Tolles & Olson. Met Warren Buffett *(which see)* 1959; coinvested mid 1960s. One early big winner: Blue Chip Stamps. Berkshire Hathaway officer 1976; director, vice chairman since 1978. Was surprised by inclusion here: "I've been associated with Warren for so long, I thought I'd just be a footnote." Likes golf, bridge, fishing. Says life's goal to stay below Forbes Four Hundred. Failure is hard: despite repeated sales, remaining shares recently worth $480 million.

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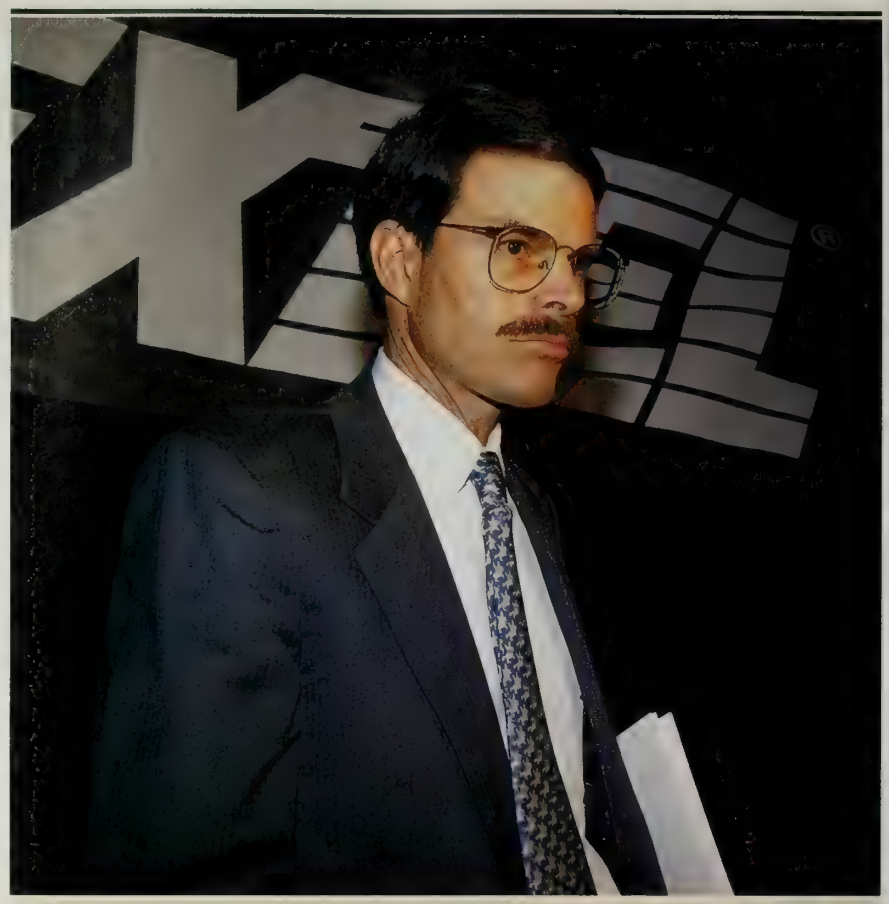
William Russell Kelly
Kelly Services. 89. Married, 1 son. Fort Lauderdale, Fla. Born Vancouver Island, B.C. Family had castle in France until father lost oil millions. Died 1928, left 7 children, no estate. Russell: quit U. of Pittsburgh 1926 to support siblings. Stint as car salesman. WWII Army fiscal management analyst. Started office supply business with $10,000 savings 1946. "Kelly Girls": "Seemed a natural development to send out the girls and forget about the machines." Public, 1962. Then 153 offices, today about 1,100 internationally. This year acquired Wallace Law Registry: agency for legal professionals. Kelly's shares recently worth $480 million. Terence E. Adderley, son, president and CEO. His shares recently worth $124 million.

Sydell Miller and family ★
Hairdressing. Cleveland area. 57. Widow, 2 daughters. At 21, married hairdresser Arnold Miller, learned the trade. Pair developed own eyelash product, started Ardell 1971. "We didn't understand distribution" but prospered anyway; sold for $3 million 1984. Started Matrix Essentials 1980, supplier and consultant to salons nationwide. This time controlled distribution. Big-name product: Systeme Biolage. Built into $250 million revenues company by 1994; Arnold died of cancer 1992. Sold out pharmaceutical giant Bristol-Myers Squibb for 7.4 million shares August 1994. Miller still Matrix chairman, still building; one of her daughters in business. Stock recently worth $480 million.

James Evans Stowers Jr.
Mutual funds. Kansas City, Mo. 71. Married, 4 children. Army fighter pilot WWII; U. of Missouri 1948. Short stints medical school, life insurance sales, local mutual fund firm. Founded Twentieth Century Mutual Funds 1958 with $100,000 and 24 shareholders. Believes earnings momentum predictor for stocks: "Money follows earnings." First tracked dozens by hand with Hewlett-Packard calculator; developed computer model 1973, now tracks 15,500. Fund manages $45 billion (equity and fixed-income) after acquiring $11 billion Benham Group June. Son calls him "the eternal bull": always fully invested. Lunch: homemade peanut butter sandwiches in employee cafeteria. His 63%, etc., estimated $475 million.



Craig McCaw
After helping drive up prices in this year's PCS auctions—and coming away empty-handed—McCaw's investing with fellow Seattleite Bill Gates in Teledesic, a company that plans to launch a series of telecommunications satellites capable of delivering voice, audio and full-motion video.

Wallace Henry Coulter
Joseph Coulter
Brothers. Blood cell analysis. Wallace studied electrical engineering at Georgia Tech, dropped out 1932. Tinkered in Chicago basement while holding down several technical and service jobs, developed "Coulter principle" 1949: automated electronic method of counting microscopic particles. With government funding 1953 invented Coulter Counter, blood cell counting instrument. Founded Coulter Electronics with brother Joseph 1958; still private, now Coulter Corp. Huge success: over 90% automated blood counters worldwide use Coulter or clones. Bought 104-acre Amerifirst corporate campus in Miami from Resolution Trust Corp. 1992. Wallace: Miami area. 70s. Single. Joseph: Miami. 70. Divorced, 4 children. Company estimated worth more than $900 million. Chairman Wallace's controlling interest estimated $475 million; Joe's share, $460 million.

Lawrence Fisher
Zachary Fisher
and families
Brothers. Real estate. NYC. Larry, 85. Zachary, 84. Each married, 1 child. Third-generation New York real estate family. Larry: "We've been in business over 100 years." As teens, bought Philadelphia bank building

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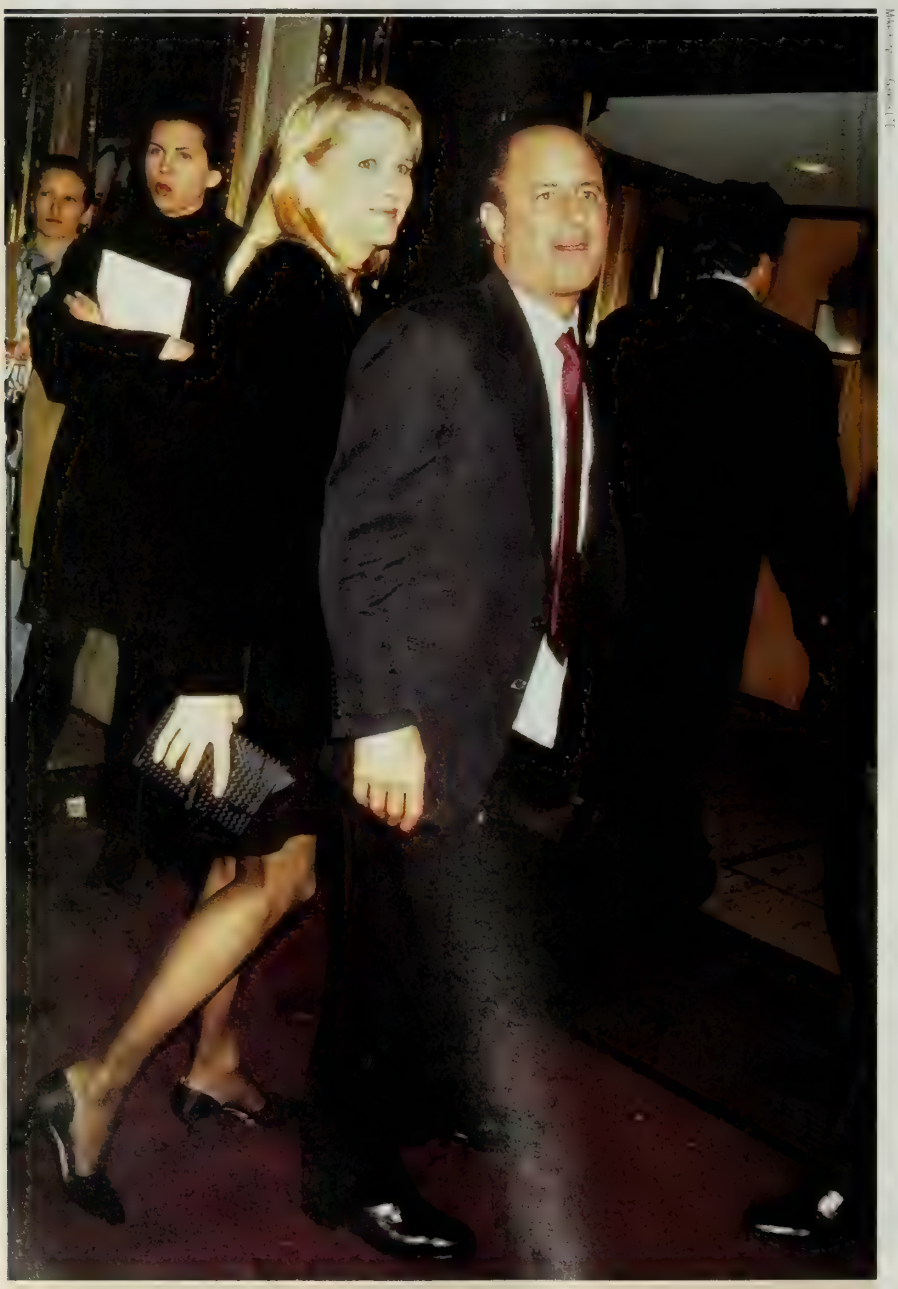
1926; built Queens apartments 1930s–40s. Moved into Manhattan office market—ran midtown office towers—1960s. Now over 6 million square feet in 5 class A buildings NYC, including Westvaco Building, Park Ave. Plaza, Burlington House. In 1980s moved excess cash into stocks: made $60 million from runs on Disney, CBS; execs had Quotrons on desks. In 1993 emerged as bidders—assembled by then-governor Mario Cuomo—for troubled New York Post. Dropped out: services not needed to save paper. Zachary: gave millions to convert aircraft carrier *Intrepid* into floating museum. Also Zachary and Elizabeth Fisher Armed Services Foundation scholarships to family members of servicemen killed in 1983 Beirut bomb blast, $25,000 to family of each person killed in explosion on U.S.S. *Iowa*. Larry: active in NYC Police, Fire Department charities; avid baseball fan. Brothers share real estate fortune estimated to be at least $950 million.



Ron Perelman with wife number three
The financier recently married former Hollywood wife Patricia Duff, while his ex hooked up with New York Senator Alfonse D'Amato.

Gary L. Wilson ★
Alfred A. Checchi ★
Partners. LBO. Wilson: LA. 55. Married, 2 sons. Duke, Wharton M.B.A. Checchi: LA, Minneapolis. 47. Married, 3 children. Amherst, Harvard M.B.A. Wilson, CFO at Marriott, hired Checchi 1975. Wilson engineered Marriott expansion, boosted earnings. Checchi left 1982 to work for Bass family *(which see)*, in on family's white-knight buy into Disney 1985; introduced Wilson to Michael Eisner *(which see)*. Wilson became Disney CFO 1985, tripled Mickey Mouse cash flow by 1989; cashed $58 million in options. Joined Northwest Airlines board 1987, saw potential in low-debt company. Resigned from board 1988, began buying stock 1989 with old buddy Checchi; brought in Dutch airline KLM, Australian brewer (now Foster's), Banker's Trust. Won LBO bid over Marvin Davis, KKR *(see both)*; Wilson and Checchi's investment: $20 million each. Wilson quit Disney to be cochairman NWA 1990. Heavy leverage squeezed NWA, kept alive by Minnesota state bond issue, took harsh criticism from press, public. Took NWA public again 1994, watched stock take off. Former Blue Devil halfback Wilson's shares, etc., recently worth over $475 million; Checchi's, $425 million or more. Not bad returns on $20 million.

Jack P. Tate ★
Baby SuperStore. Greenville, S.C. 51. Divorced. Father, uncle had South Carolina retail furniture store after WWII. U. of North Carolina 1966; Harvard Law 1969; currently licensed attorney. Conceived idea for all-inclusive baby store third year law school; still remembers date (3/12/69). Inspiration: "I didn't feel like a lawyer. I wanted to start my own business."

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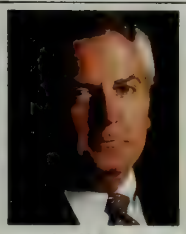

Jim Wilhite
HR Manager, M.W. Kellogg

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Basia Johnson (center) with PGA Tour director Tim Finchem (left) and Gary Player

She plans to turn Jasna Polana (above), the estate she shared with the late Johnson & Johnson heir Seward Johnson, into an exclusive golf course.

Grew steadily in South. Jumped on depot-store bandwagon 1992. Went public 1994 with urging of Ken Langone *(which see)*, cofounder Home Depot; whose Invemed underwrote IPO. Stock rose 93% first day, now up more than 400%. Currently 46 stores in 14 states. Got rid of personal office 1988; didn't fit his "highly active personality." Nickname Action Jack. His shares recently $475 million.

Alexis Felix du Pont Jr.
Alice Francis du Pont Mills
and families

Inheritance. Brother, sister. Children of A. Felix du Pont, distant cousin of Pierre Samuel II *(see du Pont family)*, who sided with him in family split 1915, was rewarded with stake in family holding company Christiana Securities. Died 1948. A. Felix Jr.: Wilmington, Del. 89. Divorced, remarried, widowed; 3 children by first wife, 1 by second. Alice (Mrs. James Paul Mills): Middleburg, Va. 82. Widowed, 3 children. Each branch has trusts, etc., believed worth at least $470 million. Also third branch: widow and 2 children of brother Richard, noted pilot killed in WWII glider crash. Widow, Helena Allaire Crozer du Pont, successful horse breeder, among first women admitted to Jockey Club 1983. She and children estimated $470 million.

Jack N. Mandel
Joseph C. Mandel
Morton L. Mandel
and families

Premier Industrial Corp. Brothers. Jack: Shaker Heights, Ohio. 83. Married, no children. Joseph: Lyndhurst, Ohio. 81. Married, 2 daughters. Morton: Shaker Heights, Ohio. 74. Married, 3 children. Morton dropped out of college at 19, bought auto-parts business with his brothers, $900 from uncle 1940. Went public 1960, bought Newark Electronics 1968 to expand beyond auto parts: provides hard-to-find, rare electronic parts to mostly low-volume customers. Heavy emphasis on customer service: employees must answer the telephone by the third ring. Morton chairman/chief executive officer, active in Jewish

$90,000,000

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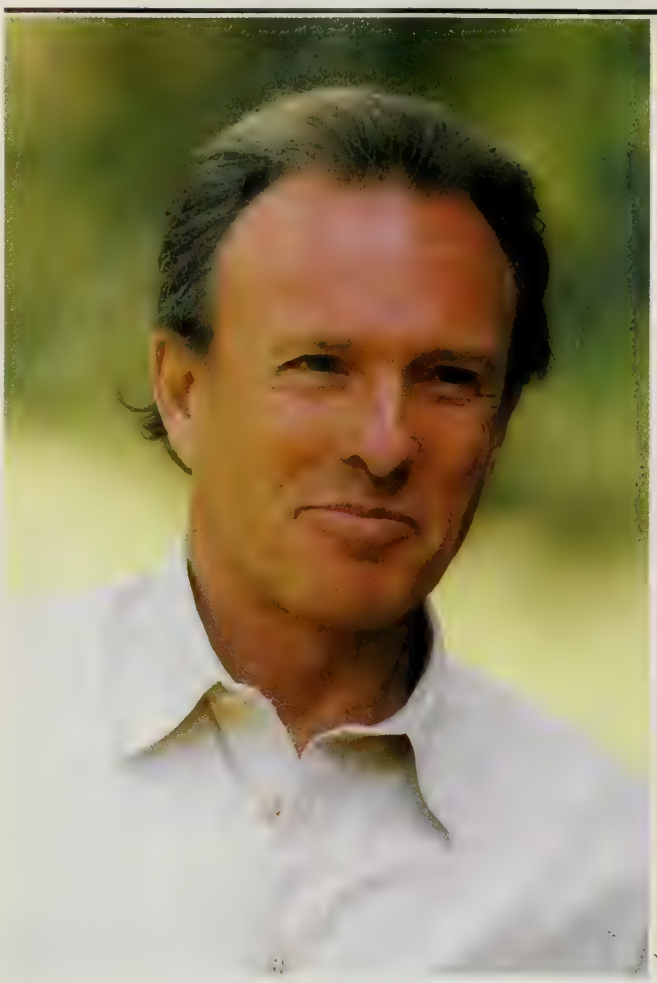

Land baron Donald Bren **His Irvine Co. is Orange County's largest property holder, with over 90 square miles. Despite his brave face, Bren has been observing the county's deep financial woes.**

Los Angeles Times Photo

causes; Jack and Joe are in charge of the marketing end. Each Mandel brother's shares recently worth over $450 million.

Philip Evans Kamins
Plastics, chemicals. Beverly Hills. 59. Married, 4 children. Born Chicago. Parents divorced when Philip was 12; worked to support family. At 16 got job with H. Muehlstein & Co., plastics scrap dealer. Took night classes in finance, Northwestern; never graduated. To LA as salesman for Muehlstein 1957; left 1960, started partnership. Dissolved 1963, formed Kamco Plastics with wife, brother; now PMC, Inc. Acquired specialty chemicals, plastics firms. Called "bottom fisher." Gave equity to managers to enhance performance, switched to cash 1986. Refused financing offer from Mike Milken *(which see)*. PMC now 17-business conglomerate, 1994 sales $709 million. Phil's net worth estimated at over $465 million.

Victor Posner and family
Financier. Miami Beach. 77. Twice divorced, 4 children. Youthful investor in Baltimore real estate; claims made first million by age 20. Started buying Florida property 1950s. Later bought into undervalued companies; at one time had stake in over 40. Known as rapacious, abrasive corporate raider; captive companies lost big money while paying him huge salaries, etc. Always with bodyguards. Nailed for tax evasion 1987. Penalty: set up $3 million program for homeless; served food to street people, etc. Finally, 1993 permanent SEC ban on Posner, son Steven, from running any publicly traded company. Steven now suing for $600 million; claims elder Posner improperly hid trusts. Years of loot add up to at least $460 million.

Michael D. Eisner
Walt Disney Co. Los Angeles. 53. Married, 3 sons. Descendant of successful entrepreneurial family; lawyer's son. Grew up NYC; Denison U. NBC page, coordinator CBS children's programming, headed ABC West Coast programming under Barry Diller. Followed Diller to Paramount Pictures, 1976. No. 1 Mouseketeer: tapped to head troubled Disney by Bass Group and Roy Disney 1984. Kick-started animation unit, turned Magic Kingdom into entertainment powerhouse. "Michael is entrepreneurial, but when he spends a dollar, he has gauged very carefully what the value is going to be." Gauged ABC/Cap Cities at $19 billion. Eisner's salary, stock, options recently worth $460 million.

Grover Connell
Equipment leasing, rice. Westfield, N.J. 77. Married, 3 children. Navy WWII. Took over family company, now the Connell Co., 1950. Built largest independent broker/trader in rice, sugar; U.S. export share over 20%. Added heavy equipment leasing (railroad, aircraft, power plants) 1973; now about $1.3 billion assets, benefited from rise in interest rates. Also prime N.J. real estate. Plugged-in Democrat: in 1992 gave over $47,000; wife, Patricia, over $39,000. Known for lunches featuring lectures by congressmen. Party for congressmen with Zaire dictator Mobutu. Connell also benefiting from Japan's rice shortfall. Lives modestly, kids went to public schools. Estimated worth about $460 million.

Ralph J. Roberts
Comcast Corp. Coatesville, Pa. 75. Married, 5 children. U. of Pennsylvania, Wharton 1941. U.S. Navy WWII. A VP of Muzak Corp.; CEO/president of belt manufacturer. First investment in cable TV: system in Mississippi 1963. "It wasn't a very romantic business then. You put up an antenna; you charged $5 a month . . . you had to count the number of trees or the poles. That was it." Comcast acquired assets of QVC Inc. Formed consortium with Sprint, TCI, Cox Communications to provide nationwide wireless services. Sold Nextel stake recently to "maximize liquidity." Ralph in charge, son Brian president. Ralph's shares recently worth $460 million.

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Sidney Kimmel
Jones Apparel. Philadelphia, NYC. 66. Single, no children. Son of Philly cabdriver; Temple U. dropout. Rose to president of apparel maker the Villager 1968. Started Jones for W.R. Grace & Co. Bought label with former Grace accountant 1975. Fashion at reasonable price: "Armani for the working woman." Dangerously overexpanded by 1987. Concentrated on main label, recovered. "I know how to ask questions and hire the right people." Bought out partner 1989; went public 1991. Tremors: hotshot president left 1994; replaced with 3 lesser execs, Kimmel. Labels: Jones New York, Saville, Rena Rowan for Saville, Evan-Picone. Gave $5 million for cancer center, $12 million to Philadelphia orchestra. Shares, etc. recently $460 million.

Lynn C. Fritz ★
Shipping agent. San Francisco. 52. Married, 5 children. Foresaw big growth in father's $1 million customs broker, founded in Depression. After Lincoln U. law school, joined 1965. With brother, sister, bought out Dad 1971. Has grown 20% every year, capitalizing on new global markets, U.S. business trend to outsource logistics. Bought out siblings 1986. Fritz Cos. Inc. handles customs, freight, shipping worldwide for likes of Sears, Motorola, Boeing. Grew debt-free; clients in effect covered expansion costs. Now 5,000 employees in 80 countries, even Kazakhstan. Went public 1992. Fritz sees no end to spreading empire: "Ours is a very messianic company." New GATT, Nafta pacts help. Shares, etc. recently worth some $450 million.

Peter Benjamin Lewis
Progressive Corp., Beachwood, Ohio. 61. Divorced, 3 children. Father cofounded auto insurance company 1937. Peter graduated Princeton 1955; joined company; took over 1965. Has increased revenues from $6 million to $2.4 billion. Built business on insuring high-risk drivers: quick response, avoids lawyers. Entering standard market. Dropped expensive foray into long-haul trucking 1991. Democrat, though favors reducing size of government. Impressive modern art collection. Big donor: Cleveland Center for Contemporary Art has Lewis gallery. Eccentric. Has been in therapy for 24 years: Freudian, couples, group, individual: "They're all great." Swims a mile every day. Stock, etc., recently pretty fit-looking $450 million.

The cruise ship "Ecstasy"
Passengers had to be picked up by this vessel after a fire disabled its sister ship, "Celebration." Damages resulted in a charge of about 5 cents per each share of Carnival Corp., the company controlled by Mickey and Ted Arison.

The Palm Beach Post

Bernard F. Brennan
Montgomery Ward. Chicago, Ill. 57. Married, 3 daughters. Grew up middle class Oak Park, Ill. Dad, uncles Sears employees. With older brother Edward, to Sears 1964; Ed now chairman. Bernie quit 1976 for small Florida retailing distributor; elbowed aside founder 1979. Hard-driving. To sagging Montgomery Ward 1982, left 1983 after fight with boss, returned to Ward, languishing under Mobil Oil, as CEO 1985. Cut costs, redesigned stores, tripled profits. Led $3.8 billion LBO with GE Capital 1988. Paid over $200 million for appliance retailer Lechmere Inc. last year. "This is the way to expand if you can't get into existing malls or markets." May take Montgomery Ward public for more acquisitions. Bernie estimated over $450 million.

Bruce Kovner
Trading. NYC. 50. Married, 3 children. Writer's block on Harvard dissertation. Drifted 6 years; drove cab, studied harpsichord at Julliard. At age 31 studied textbooks, began trading commodities, reportedly on $3,000 MasterCard line. Made quick $40,000, didn't hedge; lost $23,000 in hours. Joined Commodities Corp., learned from veteran Michael Marcus: "He taught me that you could make a million dollars." Started own firm (Caxton) 1983. Phenomenal returns: 87% 1985, 98% 1987. Closed to new investors 1992. Stunned Wall Street June: returned $1.2 billion to investors. Disbanded U.S. fund, calling it "unwieldy." Two offshore funds remain. Net worth estimated over $450 million. "But I never bully a market."

Frank Lyon Jr. and family
Bottling. Boca Raton, Little Rock, Georgetown, Ky. 54. Married, 2 stepdaughters. Father Frank Sr., now 85, genteel Southerner, door-to-door suit salesman, youngest district manager General Foods. RCA distributor 1942; sweetheart deal with fellow Arkansan Wal-Mart 1970s. Acquired Coca-Cola bottler 1969, became biggest in Arkansas. Also acquired bank. Turned operations over to Frank Jr. (Harvard M.B.A. '67) 1972. Jr. sold bottler to Coke 1989 for at least 12 times original investment; same year battled cancer, now in remission. Acquired more banks, sold to Mercantile Bancorporation December for stock. Also farming, office real estate, Wingmead (13,000-acre duck-hunting retreat and farm). Estimated $450 million.

Walter Herbert Shorenstein
Real estate. SF. 80. Widower; 1 son, 2 daughters (1 deceased). Son of Long Island haberdasher. Army Air Force WWII. Real estate broker at SF's Milton Meyer & Co. 1946; partner 1951.

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Long-Term Competitive Performance Is One Good Reason To Consider An Index Fund...

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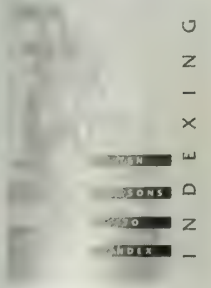

Fact: Over the last 10 years the S&P 500 Index outperformed 78% of all actively managed stock funds. Of the 387 general equity funds which have 10-year performance records, the S&P 500 Index surpassed 303. (Source: Lipper Analytical Services.) Of course, many investors still believe they can identify, in advance, the few actively managed funds that will surpass the Indexes.

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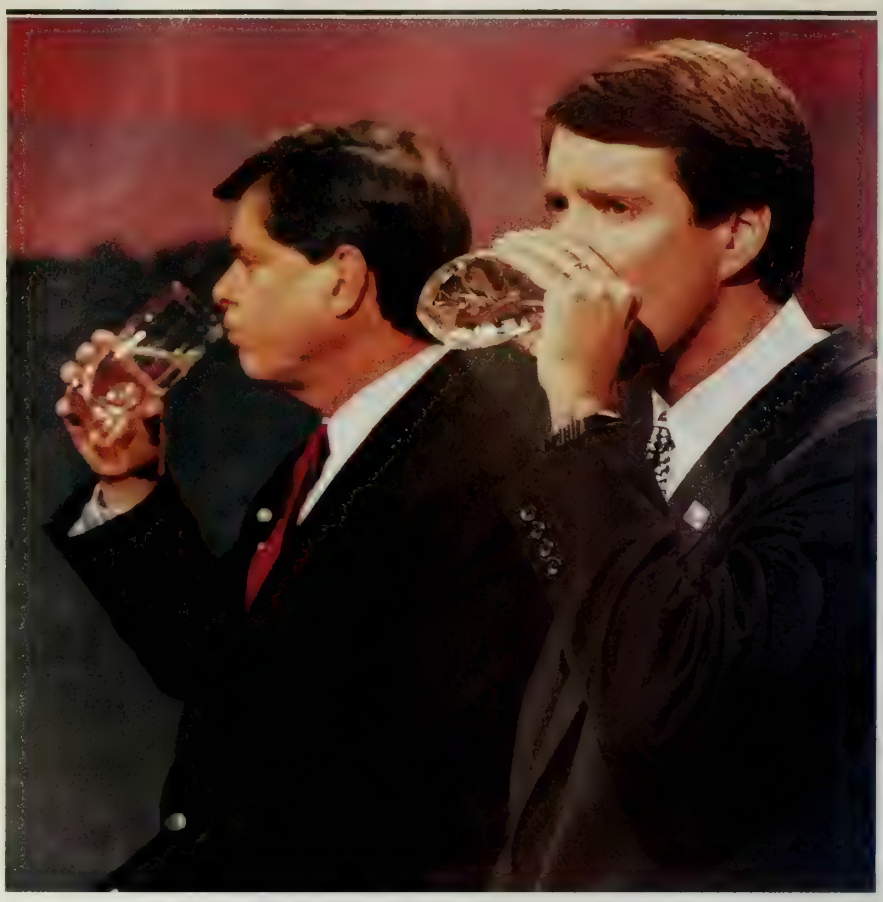
Bought company 1960 (renamed Shorenstein Co. 1985). Built to top SF office building owner: 12 downtown buildings. "On sidelines" 1986-93; has bought 8 new buildings (Boston, Denver, Minneapolis, etc.). Likes class A, low-debt, institutional partners. Now over 25 million sq. ft. Big Democrat fundraiser, pal Al Gore et al.; adviser LBJ, Carter. Helped keep baseball Giants in SF. Son Douglas, 40, company president. $15 million for Harvard media center named after daughter Joan. Estimated $450 million or more.

Lynne Pasculano and family
UIS, Inc. NYC; Greenwich, Conn. 54. Married, 2 children. Only child of Harry Lebensfeld (d. 1994). Brooklyn native, high school dropout, started at father's furniture company. Founded UIS 1945 with purchase of small desk-manufacturing company Shelbyville, Ind. Acquired more small companies with potential. Eventually over 20, now down to 18; $830 million 1994 revenues. Auto/truck parts components 75% revenues; also New England Confectionery Co., maker Necco wafers. Lean operation: 16 employees in NYC headquarters, including son-in-law Richard Pasculano. Lynne not in company; longtime volunteer N.Y. Public Library. UIS in trust for Lynne, children, estimated perhaps $450 million.

Alan C. Ashton
WordPerfect. Orem, Utah. 53. Married, 12 children. Brigham Young U. computer science prof Ashton first teamed with grad student Bruce W. Bastian 1969. Launched WordPerfect 1979. Put IBM PC version on market 1982. Instantly popular: easy to use, features competitors didn't offer. Remained bestselling word processing software, but hit by falling software prices (cut 1,000 from payroll early 1994). Strategy: new, younger and aggressive managers to give WordPerfect higher profile in industry. Considered going public, then buyout bid from Lotus Development Corp. Then Novell upped ante to $1.4 billion Novell stock; now $1.8 billion. Ashton's shares recently worth $450 million.



Senator Bill Frist (top right), with doppelgänger; brother Tom Jr. and Tom Sr., helping out **Politics can be lots more fun when there's $875 million in the family.**

Nashville Banner

Jane Bancroft Cook
Inheritance. Cohasset, Mass.; Sarasota, Fla. 83. Thrice widowed, once divorced; 3 daughters. Once avid sailor, rider, acted opposite Humphrey Bogart in summer stock. Only living grandchild (actually stepgrandchild) Clarence Barron (bought Wall Street Journal, Dow ticker from Charles Dow, others 1902; began Barron's 1921 at suggestion of son-in-law Hugh Bancroft, husband of adopted daughter Jane). Major donor education, hospitals. "Mrs. Cook likes to give anonymously." Shy, reserved. Director Dow Jones (and over 12% control) 1950-85. "Zealous guardian of the journalistic independence of the Journal." With more than 12 million shares of Dow Jones, worth over $440 million.

Hugh Rodney Sharp III and family
Inheritance. Wilmington, Del. 60. Married, 5 children. Grandson of Isabella du Pont Sharp, sister of Pierre *(see du Pont family)*, known as H. Rodney: Father Hugh Jr. (d. 1990)

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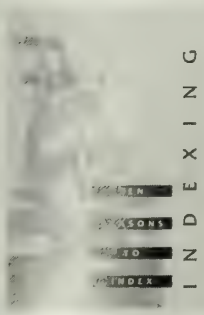
Broad Diversification Is One Good Reason To Consider An Index Fund...

There Are Nine More...



Fact: Broad diversification can be important to investors because it lessens the risk that a dramatic decline in any one security or industry sector might have on a fund's share price. And one reason index funds are gaining favor with investors is their ability to provide extraordinarily broad diversification at a very low cost.

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active in Du Pont 1938-82; with his brother Bayard, donated $11 million parcel of beach and wilderness for Florida state park; left inheritance to 3 children: Hugh Rodney III, H. Donnan Sharp, William M.W. Sharp. Hugh III: was director at Du Pont; retired as manager of computer systems for Du Pont 1991. Uncle Bayard's sister, Ann, brother John, died childless; fortune probably distributed to siblings, nieces, nephews—people like H. Rodney. As result, Hugh's fortune estimated about $440 million.

Viola Sommer
Inheritance. NYC. 74. Widowed, 3 children. In 1940s and 1950s husband Sigmund Sommer built small apartment buildings Brooklyn, single-family homes N.J. By mid-1970s building shopping malls, huge luxury apartment buildings. Branched into racehorses, owned top Thoroughbred moneywinner 1971-72; died of heart attack at racetrack 1979. Lawsuits over estate begun 1987, claimed breaches of fiduciary duty by coexecutor and his law firm. Settled 1994; defendants paid Sommer estate $3.5 million; estate paid $1.25 million fees to court-appointed guardian for grandchildren. Lawyer recalls, "She's a fun lady to litigate with." Viola in Racing Hall of Fame, member of Jockey Club. Estimated $440 million.

Joseph Reeves Hyde III
Auto parts. Memphis. 52. Divorced twice, remarried; 3 children. U. of North Carolina 1965. Grandfather started Malone & Hyde, food wholesaler 1907. Hyde III became president when father fell ill 1968. Chairman 1972: youngest chairman of NYSE-listed companies. Opened first auto parts store, Auto Shack, 1979. Now Autozone stores in Sunbelt, Midwest, with emphasis on low price, service. Familiar? Hyde III served on Wal-Mart board of directors 7 years. With KKR, leveraged buyout of Malone & Hyde 1984; sold for profit 1988. KKR Autozone's biggest shareholder. Philanthropic; chairs executive committee National Civil Rights Museum. Hyde's shares in 1,059-store Autozone recently $440 million.

William B. Turner
Sarah Turner Butler
Elizabeth Turner Corn
and families
Coca-Cola. Columbus, Ga. W.C. Bradley founded company of same name 1885; currently in real estate, timberland, sports apparel, barbecue grills. Also retailing. Real wealth from spectacular long-term investment: Coca-Cola. W.C. helped fellow Columbus native Ernest Woodruff and others buy Coca-Cola Co. for $25 million 1919. Watched Woodruff build soft drink empire, held on for the ride; was director, owned what is now 1.2%. Shares passed through trusts to grandchildren. William: 72. Columbus, Ga. Three sons, 3 daughters; sons active in W.C. Bradley Co. Sarah: 75. Columbus, Ga. Married, 3 children. Her son Stephen, 44, Bradley chairman. Elizabeth, 69. Columbus, Ga. Married, 5 children. Bradley-Turner Foundation works with Methodist Church: religious, educational causes. With Coke stock, etc., each worth an estimated $435 million.

John Willard Marriott Jr.
Richard Edwin Marriott
Washington, D.C. area. Heirs of John Willard Marriott Sr. (d. 1985). Willard Sr. started Washington, D.C. root beer stand, Hot Shoppe, 1927; expanded into airline catering, restaurants. Opened first motel, Marriott Twin Bridges Motor Hotel, 1957 near D.C. Company passed $1 billion revenue 1977, 50 years after 9-stool beverage stand opened. Deeply religious Mormon, often worked 18-hour days in early years: "No person can get very far in this life on 40 hours a week." Willard Jr. (Bill): 63. Married, 4 children. U. of Utah 1954. Teenage cook at father's Hot Shoppes. President of then Marriott Corp. 1964; CEO 1972, succeeding Willard Sr. Richard Edwin: 56. Married, 4 children. U. of Utah

Haut-Brion grande dame Joan Dillon **The Dillons' vineyard is among the grandest of grands crus, but the city of Bordeaux has grown to surround it. Will the new real estate values tempt the family to replace grapes with condos?**

1963. Harvard M.B.A. 1965. At 16, Hot Shoppes grill cook. Vice president operations 1976. Marriotts split company in two 1993: Host Marriott Corp., an owner, manager of real estate; Marriott International, Inc., manager of hotels, provider of food/facilities management. At separation announcement, market value of common shares fell to $2 billion; debt load lowered company bonds to junk status. Hasty pudding—recent market value of 2 Marriotts: around $7 billion. Richard, chairman of Host. Bill, chairman of Marriott International: "You can never reach perfection in this life; success is never final." Sons active Mormons, philanthropists. Bill's Marriott shares worth $425 million. Richard's, $430 million.

Harry V. Quadracci ★
Printing. Racine, Wis. 59. Married, 4 children. Columbia Law (1960); joined Milwaukee printing firm, ad-

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"Hey, hello down there."

"Hey, hello down there."

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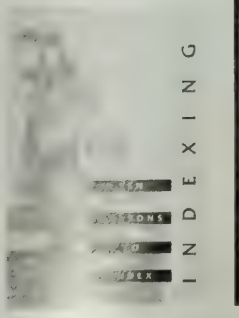

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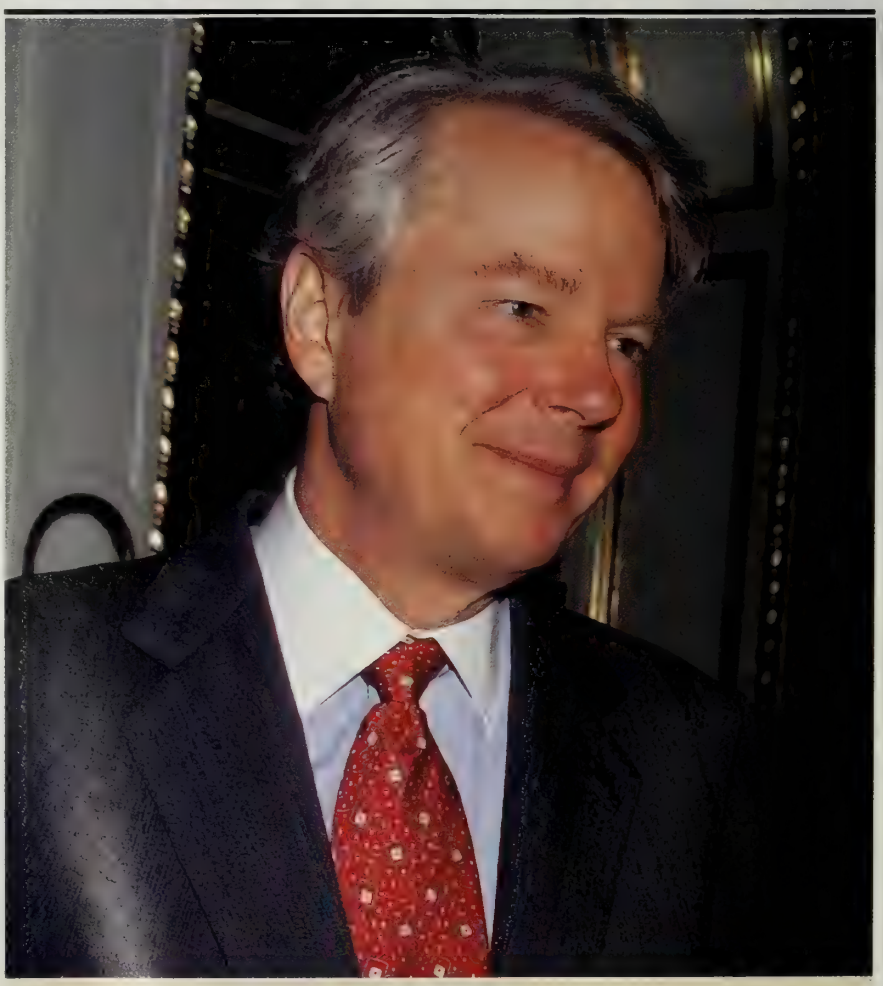
vocated tough management line, out after company union wage concessions. Decided to become own boss 1969. Raised $250,000 toward $900,000 high-tech press; took bank loan, mortgaged house for rest. Counted on high press productivity: investors repaid in 24 months. Expanded aggressively; Quad/Graphics revenues now over $800 million, prints half of Newsweek, much of Time, all of Black Enterprise, Mother Jones. Harry famous for inspirational leadership. Also high jinks: walked high-wire across factory floor. With family, owns 60%, estimated $430 million or more.

Ralph Lauren
Apparel. NYC. 56. Married, 3 children. Bronx-born son of Russian immigrant. High school ambition: "millionaire." Some college; clerked at Alexander's, Brooks Brothers. Started Polo, Inc. 1967 with $50,000. Admits responsibility for wide-tie fad late 1960s. Womenswear 1971. Near bankruptcy 1972, saved by preppy boom. Big profits licensing Polo name: boyswear, fragrance, jewelry, home furnishings, etc. Opened 145 Polo/Ralph Lauren stores; now 130. Claims worldwide Polo retail sales $4.5 billion, mostly licensed. Sold 28% to Goldman, Sachs for $135 million 1994; did not include cash cow fragrance license. Houses in N.Y., Jamaica, Colorado. Net worth estimated at least $430 million.

Lucille Carver
Bandag, Inc. Muscatine, Iowa. 78. Widow of Roy James Carver (d. 1981), 3 sons. Roy learned about retreading process at wine-tasting party in Germany, 1957. Acquired rights. Almost drained family pump business to perfect retreading process. Did it; built predominant company in field. Lucille remains active on the board. Youngest son Martin, 47, CEO and chairman. Introduced Deming principles (Total Quality Management). Has over 50% of North American market, 18% Europe; wants more worldwide. Oldest son Roy J. Jr., 52, owns original Carver Pump business. John, 50, raises horses. Carvers control 75% stock. Lucille's shares recently worth $430 million.

Gary Campbell Comer
Lands' End. Chicago. 66. Married, 2 children. No college. Chicago's copywriter of year, 1962. Made Olympic sailing trials. "He told everyone from the time he was 20 that he was going to be rich." Started sailing catalog 1963. By 1977, all clothing. Wrote catalog copy: "I went out with a camera, interviewing people." Credo: "Take care of your people, take care of your customers, and the rest will take care of itself." Recently replaced CEO William End—Harvard M.B.A., former L.L. Bean exec—with Michael Smith, 34. Smith started as intern, 1983, never left. Choppy waters: earnings down. Expensive expansion in Europe, Japan. Not involved day-to-day. Shares recently worth $430 million.

A. Alfred Taubman
Real estate. Bloomfield Hills, Mich.; NYC. 70. Divorced, remarried (to former Miss Israel, 22 years younger); 3 children. Immigrant father built homes; "Al" teased as child for dyslexia, stuttering; college dropout. Got $5,000 loan 1950, developed retail stores, then strip malls, shopping centers. Then 200 gas stations for buddy Max Fisher *(which see)*. Large regional malls 1960s. Perfectionist, tight control over selling environment; major U.S. mall developer. Made $150 million in Irvine Ranch buyout 1977-83 *(see Bren)*; largest Sotheby's stockholder; etc. To repay $600 million loan from GM floated REIT 1992. Has given over $40 million to hospitals, colleges. Recently worth over $430 million.



Forth Worth investor Sid Bass
Sid and Nancy Bass donated a square block of downtown Ft. Worth for the construction of the Nancy Lee and Perry R. Bass Performance Hall, a $60 million arts complex.

Senator John Kerry and Teresa Heinz **The ketchup heiress reaffirmed her love of Beltway boys when she married Senator John Kerry earlier this year.**

AP/Wide World Photos

Richard Alan Smith
Nancy Smith Lurie Marks
Brother and sister. Harcourt General (formerly General Cinema). Chestnut Hill, Mass. Richard: 70. Married, 3 children. Sister Nancy, coholder family shares: married, 3 children. Father Philip (d. 1961) founded company 1922, then chain of drive-in theaters. Richard, Harvard 1946, took over 1961. Expanded; by 1973 largest movie theater operator. Bought 2 Pepsi bottling plants 1968. By 1981 largest independent soft drink bottler. Sold bottling business for $1.7 billion 1989. "We've probably divested more things than we invested in." Bought 37% Carter Hawley Hale 1984; exchanged CHH for 60% Neiman Marcus 1987. Acquired Harcourt Brace Jovanovich, textbook publisher, for $1.5 billion 1991. Recently sold insurance business for $410 million. Active philanthropist. Close-knit family. Nancy's son Jeff owner Philadelphia (football) Eagles. Brother, sister share control of Harcourt stock fortune recently worth $850 million.

Joyce Raley Teel
Supermarkets, drugstores. West Sacramento, Calif. 64. Married, 5 children. Sacramento City College 1951. Father, Tom, Safeway store manager, opened first Raley's, Placerville, Calif. 1935. Tried combination drug and grocery "superstore" 1958. Introduced precut, prepackaged meat. Joyce worked at Raley's as teenager; left to raise family with husband, Jim—also from Raley's. Talked Dad into letting her return 1986; cochairman (with husband) after father died 1991. Still seeks innovation. Large recycling program; pledge to reduce food pesticide residue 70% by 2000. Company expanded dramatically under Joyce; ranked 32nd out of top 100 supermarket chains, total revenues $1.8 billion. Net worth estimated over $425 million.

Robert Addison Day Jr.
Money management; inheritance. NYC. 51. Married, 3 children. Grandson of Superior Oil founder William M. Keck and of Addison Day, onetime president Los Angeles Gas Co. Claremont McKenna College. White Weld salesman. Started own money management firm. In 1972 launched Trust Co. of the West with $1.5 million from investors. Took off, found profitable niches: growth stocks, Latin securities, junk bonds, etc. Today manages diversified $53 billion. "There are only two kinds of players in this game—winners and losers. My grandfather always said 5% of the geologists discovered 95% of the oil." His 40% of TCW, inheritance, etc., believed $420 million.

Clayton Lee Mathile
Pet food. Dayton, Ohio. 54. Married, 5 children. Former Campbell Soup buyer hired 1970 by Paul Iams, animal nutritionist turned pet food maker. Mathile succeeded Iams 1975; bought him out 1982. Brought in upgraded management, board. From $16 million sales to over $400 million 1994. "Focusing on the dog and cat as customer" apparently paying off. Sold breeders on promises his premium product would produce healthier animals. Pioneered fast-growing yup-

pie puppy food market pitching ultra-premium product the "pros" use; got premium prices, margins. Increasing sales to international market, veterinarians. Net worth estimated $420 million.

Richard J. Egan and family
EMC Corp. Hopkinton, Mass. 59. Married, 5 children. Marine during Korean War. Northeastern University, B.S. electrical engineering. At MIT, helped develop computer system to guide Apollo back from moon. Left Intel as executive 1979, cofounded EMC (data storage manufacturer) with college roommate. Revenues have grown more than fivefold in the 1990s. Egan, president, CEO until 1992, still chairman. With wife, Maureen, founded Hopkinton Technology for Education Trust, to better apply advanced technology (mainly computers, educational software) in local schools. Recently, $6.7 million to Northeastern University toward construction of engineering research center. Recently $420 million.

Max Martin Fisher and family
Oil. Franklin, Mich. et al. 87. Widowed, remarried; 5 children. Grew up middle class in Ohio, son of Russian immigrant peddler who built small oil reclamation plant. Ohio State 1930. Plant burned down 1932; gas brokers agreed to finance refinery: "I guess I must have hoodwinked them." Rebuilt business quart by quart, offered top price for oil during 1930s to lock in suppliers. During World War II had supplies, made killing. Sold for Marathon Oil stock 1959; shares sold to U.S. Steel for over $150 million 1982. Invested in real estate, Sotheby's. Big supporter Israel; in Six Day War 1967 raised over $100 million in just one month. Also of Detroit Renaissance, Republican Party, Dole campaign. Estimated $415 million or more.

Steven Rales
Mitchell Rales
Washington, D.C. Leveraged conglomerating. Brothers: Steven, 43, married; Mitchell, 38, married. Left dad's real estate firm 1979; upstarts in 1980s junk-finance frenzy: "raiders in short pants." Loaded up on leverage; bought hand tool, tire-making, other businesses. Acquired busted REIT 1983, renamed Danaher after favorite Montana stream where once caught trout. Fought Warren Buffett *(which see)* to acquire Scott & Fetzer; lost 1985. Applied real estate lessons: "tax losses can be good for cash flow"; if possible, do deal on zero equity. Many observers, FORBES included *(Nov. 18, 1985)*, skeptical, but Danaher now solid, brothers have prospered since 1992 recession: 2-1 stock split early 1995; acquired electric power product maker Joslyn Corp. for $245 million September. Publicity shy. Intense. Family-oriented. Brothers' combined shares recently worth some $820 million.

The Salt Lake Tribune

WordPerfect cofounder Bruce Bastian (left) and friends at ballet gala **Divorce in a community property state knocked the software maker off The Forbes Four Hundred.**

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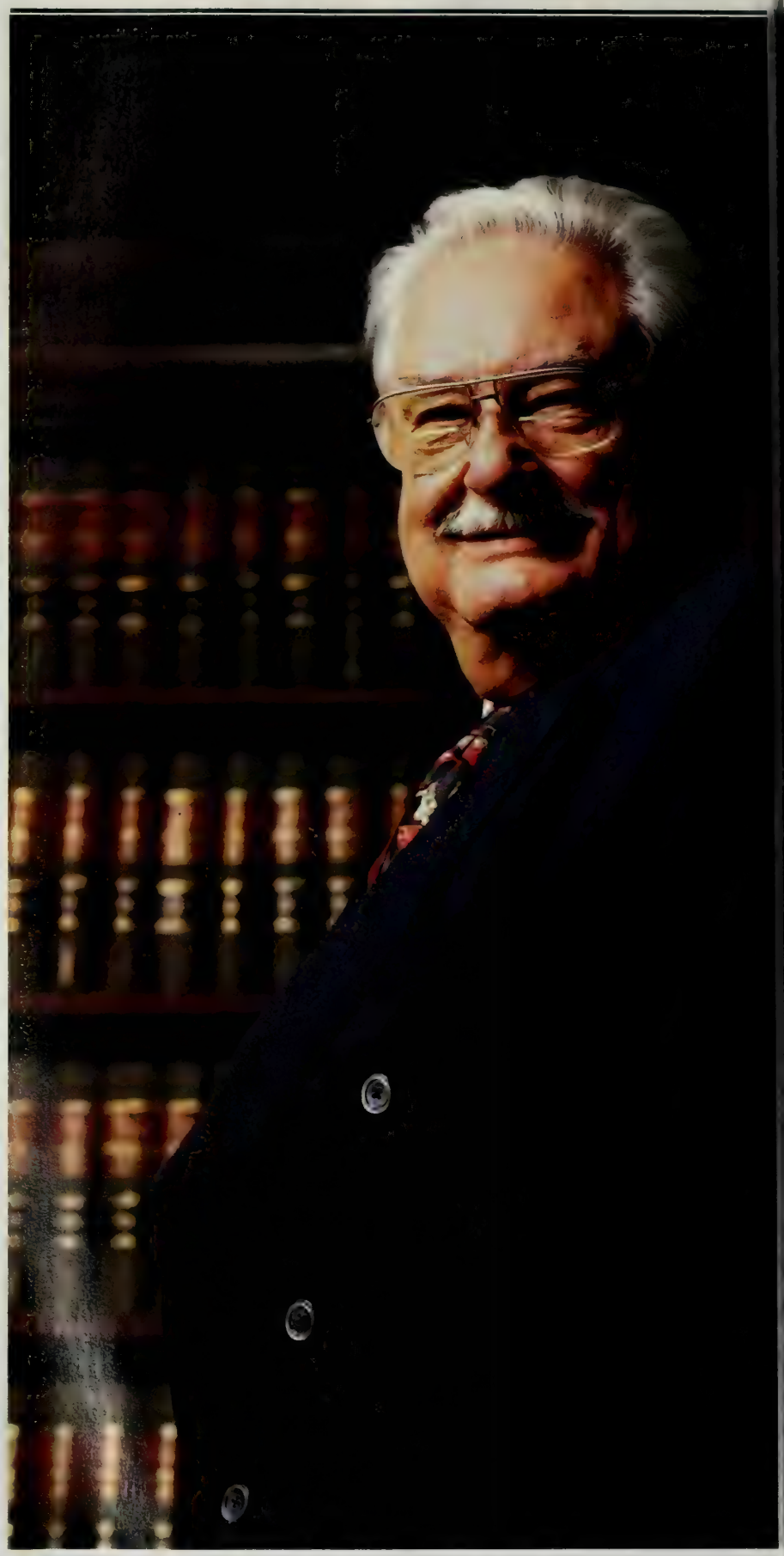
Charles B. Wang ★
Computer Associates. NYC. 51. Married, 2 children. Born Shanghai; to U.S. 1952. Grew up Queens; B.S. math, Queens College. Saw many want ads for programmers, became one. Worked at Columbia U., Standard Data Corp.; 1976 founded Computer Associates. Acquired over 50 software companies: especially sought programs that make large computers more efficient. Hit $1 billion sales 1989. Now over $2.6 billion worldwide; little known to consumers but second only to Microsoft. Wrote book, *Techno Vision,* on keeping companies high-tech, lean, efficient. Example: each CA department must rejustify existence or get axed. His stock, once 86 cents a share (split-adjusted), recently $63; worth over $410 million.

Kenneth Feld
The Greatest Show on Earth. Potomac, Md. 47. Married, 3 children. Boston U. Son of Irvin Feld, record store and pharmacy owner turned smart promoter who bought Ringling Bros. and Barnum & Bailey Circus 1967 for $8 million, rejuvenated; sold to Mattel 1971 for $50 million, repurchased 1982 for $23 million. Groomed son for business; died 1984. Kenneth built aggressively on father's base: cut salaries, other costs to bone. "The tightest man in show business." This year is best ever. Also Siegfried & Roy magic show, Broadway shows; 200-acre Florida elephant farm, clown college (average cost to students $2,500). Aggressive: has taken popular Walt Disney on Ice to 30 countries. Estimated over $400 million.

Edmund Wattis Littlefield and family
Utah International. 81. Burlingame, Calif. Married, 3 children. Grandson of Edmund O. Wattis, founder of Utah Construction; company took on huge projects, including Hoover Dam, San Francisco-Oakland Bay Bridge. Edmund: waterboy for UI workers, Stanford B.A., M.B.A., Phi Beta Kappa. Became general manager Utah International 1958; construction business sold to Fluor Corp. 1969, became



West Publishing's Dwight Opperman **His company has come under attack by one of Ralph Nader's special-interest groups. Opperman's not worried: "West will always be there."**

Steve Weil

major coal/copper miner. Director General Electric 1964-84. While chairman UI 1976, merged with GE; then-largest merger: $2.2 billion. Edmund got GE shares worth $73 million. "The GE stock has gone up so damn much over the past years" his net worth recently estimated over $400 million.

Ralph L. Engelstad
Casino. Las Vegas. 65. Married, 1 daughter. Grandson of potato farmer, from Thief River Falls, Minn. B.S., U. of North Dakota 1954. Made money in construction. Came to Las Vegas; built Imperial Palace 1974, nonunion, and still alive. Largest private casino/hotel on Strip: 2,700 rooms, no debt. Held parties on Hitler's birthday in casino "war room" 1986, 1988; was fined $1.5 million by Nevada Gaming Commission in 1989 for damaging state's image. Lying low since, refuses most interviews. Third-largest antique automobile collection in U.S.: 43 Duesenbergs, Hitler's parade car, Father Divine's "Throne Car" given to him by his congregation. Casino et al. estimated worth at least $400 million.

James McGlothlin and family
Coal. Bristol, Tenn. 54. Divorced, remarried; 1 daughter, 6 stepchildren. B.A. and law school, William & Mary. Practiced law, ran small restaurant. Founded United Coal Co. 1970: strip mine with 11 employees. Expanded during 1970s energy crisis. Survived 1980s coal downturn with lucrative long-term contracts from utilities, steel companies. Nonunion labor meant one of lowest-cost U.S. producers. Began unloading 1992 with sale for $250 million. Tried to sell final chunk of coal 1994; fell through. Diversified: golf courses, real estate, oil and gas, financial services, even Las Vegas cogeneration plant. Reportedly athletic: golf, basketball. Company shared with father, cousin. James estimated $400 million or more.

Lewis Robert Wasserman
MCA. Palm Springs, Beverly Hills. 82. Married, 1 daughter. Born Cleveland; to Chicago 1936 to join Music Corp.

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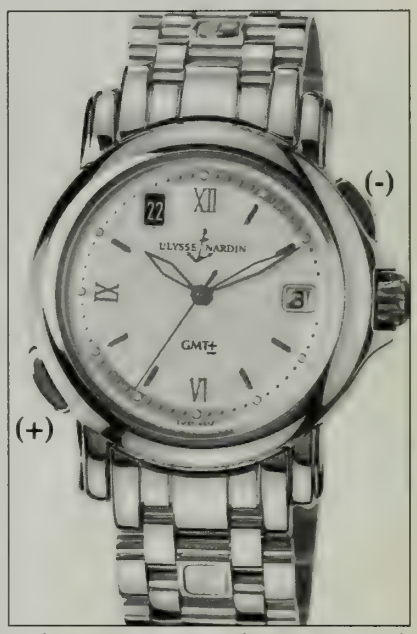

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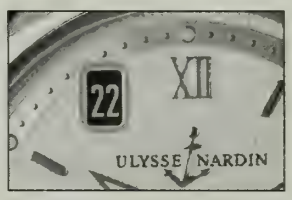

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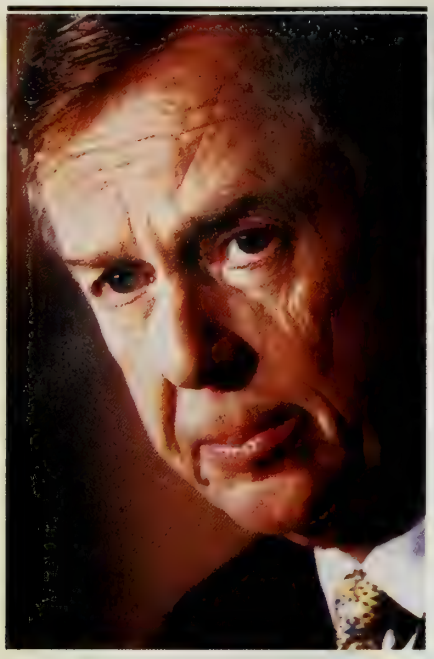
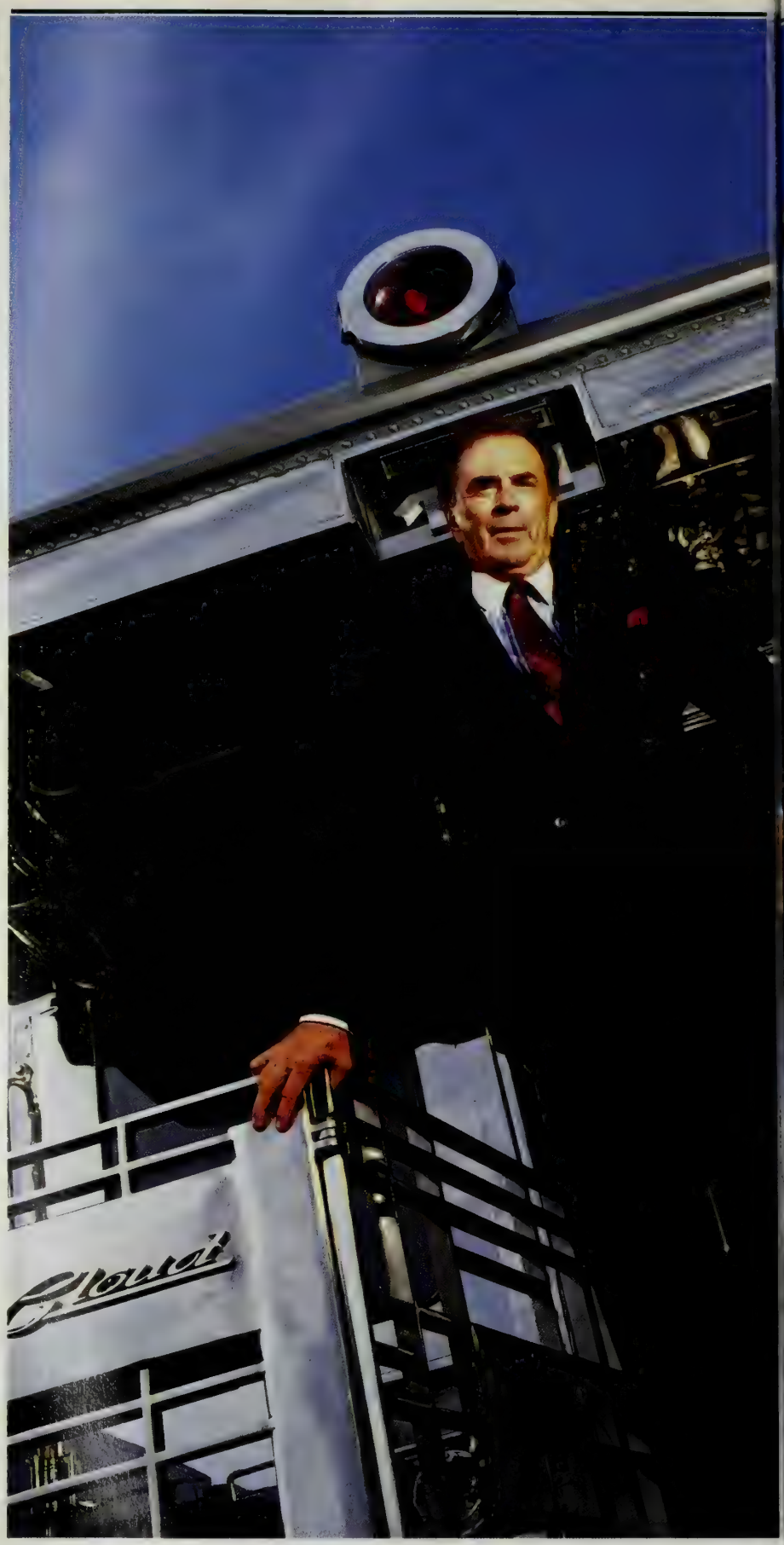


Michael Grecco

of America. President 1946 at 33; hobnobbed with Alfred Hitchcock, Ronald Reagan, Jimmy Stewart. Brought dark business suits, ties to Hollywood. Acquired Universal Studios for TV production 1962; antitrust forced MCA to drop huge talent agency. Turned down Secretary of Commerce under LBJ 1965. Distributed Spielberg *(which see)* hits *Jaws, E.T., Jurassic Park.* Sold out to Matsushita 1990; Lew took preferred stock, retained much control, reportedly bickered with new owners. Seagram *(see Bronfman)* bought 80% control June; Wasserman to stay on. Believed worth over $400 million.

Jesse Mack Robinson and family

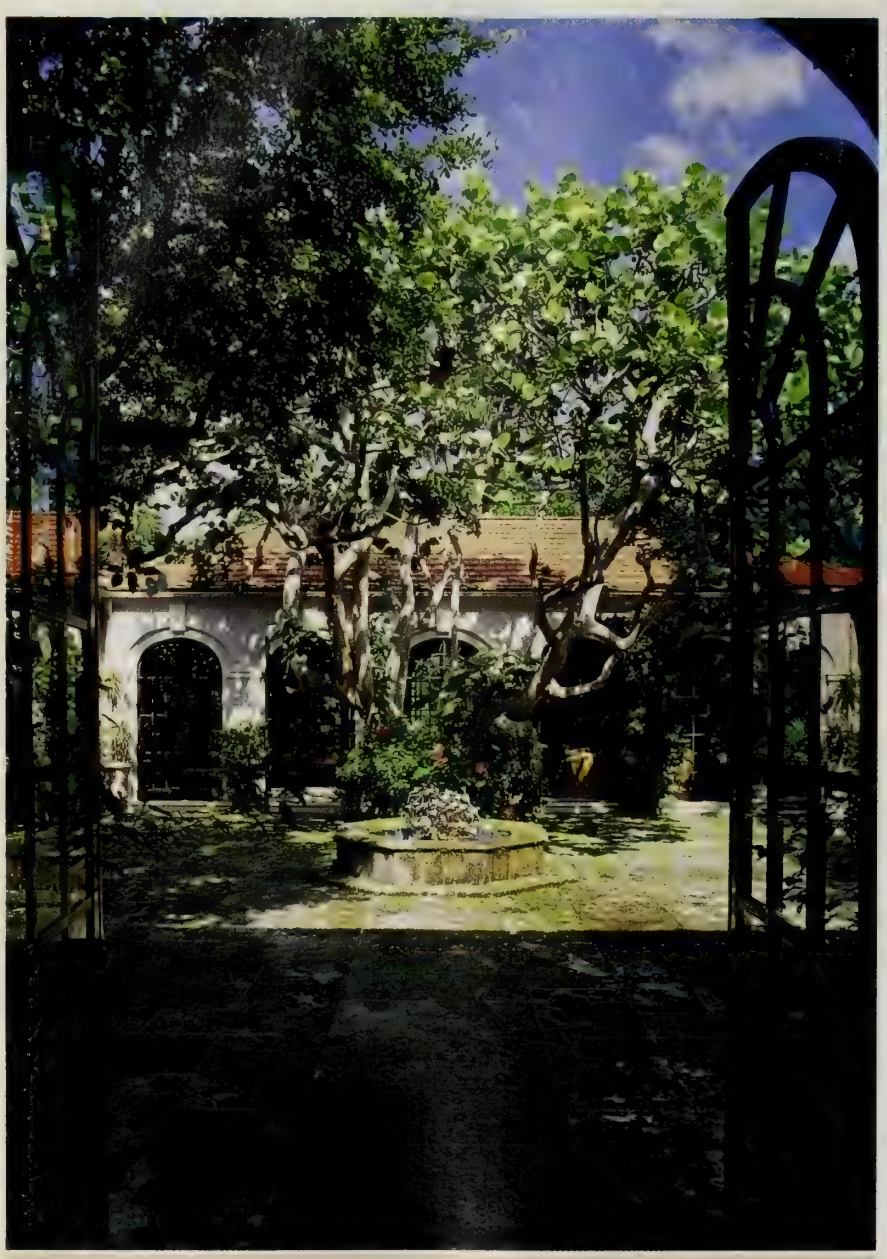
Banking, insurance. Atlanta. 72. Married, 2 daughters. College dropout, used-car salesman; built chain of auto loan companies. "Mack" financed Yves St. Laurent 1960; sold 80% 1966 for $1 million. "One doesn't always keep the right things." Bought, opened 22 banks, branches in 72 towns. Led merger of First National Bank of Atlanta with Wachovia Bank (N.C.) 1985; retains sizable Wachovia stake. Now off board: mandatory retirement age 70. Also lumber mills, insurance, etc. Heart attack 1986 spurred slow sale of businesses; but acquired others, e.g., retailer Leath Furniture expanding Midwest, Fla.



Rob Lebanger

Paul Rosen/Photoreporters

T. Boone Pickens (left),
Dennis Washington (center),
Marvin and Barbara Davis
Davis and Washington threatened a proxy fight for Pickens' Mesa Inc. earlier this summer. Mesa's board backed Pickens—for now. The duo will have another shot at next year's annual meeting.



There goes the neighborhood
John Kluge bought a number of houses in Palm Beach and then knocked them all down to build his new digs, above.

Avid golfer, breeds racehorses. Wants daughters, son-in-law to succeed him. Estimated over $400 million.

Ernest J. Olde ★
Discount stockbroker. Detroit, Mich. 57. Divorced; remarried 1991; 3 surviving children. Broker, founded Olde Discount 1971 after leaving Kidder, Peabody. Helped pioneer discount brokerage. Aggressive marketer: storefronts in strip malls, radio spots, mass mailings. Heavy losses from 1987 crash; cut back; rebuilt. Now 205 offices nationwide. "High-end" discounter: more services than Schwab. But often accused of unethical trading, front-running. Lawsuits by former executives alleged insider trading; he denies. Other lawsuits. Handsome, natty dresser; capricious leadership style. Son Ernst hanged self at age 25 in Olde headquarters 1992. Business continues to grow. Estimated $400 million.

Robert Einar Petersen
Publishing. Beverly Hills. 69. Married, childless. Auto mechanic's son; short-order cook, pumped gas, liked cars; started Hot Rod magazine with $400, partner; hawked for 25 cents at races 1948. Bought out partner 1950. Built Petersen Publishing to 29 monthlies, bimonthlies. Adding Golfing, MTB (mountain biking), Autotronics to old favorites: Guns & Ammo, Motor Trend, Skin Diver. Teen largest circulation: "for nice, clean-cut girls." First to bag polar bear with revolver, 1965: "I'm trying to outlive that." Has Petersen Automobile Museum; also air chartering business, real estate. Rising paper and postage costs will bite into profits fiscal 1995. Still, estimated $400 million.

Howard Brighton Keck
Inheritance. LA. 82. Son of William Sr., renowned wildcatter who taste-tested core samples; founded Superior Oil 1921. Among first to drill offshore Venezuela, Louisiana. Became leading independent; huge reserves. Sons Howard and William Jr. feuded over control. William Sr. (d. 1964) tried to sell 1959, failed; chose Howard over namesake, who died 1982. Diversified unprofitably into mining, timber, farming; back to oil 1976. Avoids limelight. Angry hand-picked directors forced him off board in 1983 proxy battle. Mobil bought Superior for $5.7 billion 1984. Heads Keck Foundation, big giver to education. Financed $70 million Keck Observatory atop Hawaiian volcano. Net worth estimated about $400 million.

Samuel Heyman
Corporate takeover. NYC. 56. Married, 4 children. Yale (tennis champ), Harvard Law; under Bobby Kennedy at Justice, chief assistant U.S. attorney Connecticut. When father died 1968, drawn into family real estate: "It became so fascinating I decided to stay." Shopping malls, 1968-83. Bought GAF shares 1981; successful proxy fight against "selfish management." With Michael Milken's *(which see)* help, went after Union Carbide, Borg-Warner; made over $450 million. Took International Specialty

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Products public 1991. Founded Heyman Center on Corporate Governance at Cardozo Law School, NYC, 1987. Extensive art collection. Much debt. Estimated net worth over $400 million.

Harry Howard Hoiles
Mary Jane Hoiles Hardie

Publishing. Siblings: children of Raymond C. Hoiles (d. 1970), worked way up from $2/week printer's assistant to buy Bucyrus (Ohio) Telegram 1927, Santa Ana Register 1935. Used papers to spread libertarian philosophy: opposed public schooling, police forces, highways, etc.: "The kind of newspaper a man takes has a lot to do with the kind of man he becomes." Escaped 2 bomb attempts. The 31 papers now have circulation approaching 1 million; also 5 TV stations, 1 news channel. Called Freedom Communications "because freedom will live forever and the Hoiles name will be forgotten in a short time." Descendants doing best to attain obscurity. Three children inherited: son Clarence headed company. His death (1981) led to bruising family battle: "No one can hate each other the way a family can." Also Harry: Colorado Springs, Colo. 79. Married, 3 children. Shares father's philosophy. Sued for control 1982, offered to buy company out-right for $1 billion 1985. Mary Jane: Marysville, Calif. 73. Married, 4 children. Husband Robert is Freedom chairman. Freedom invested in IT Network; now called publicly traded Source Media: classified ads. Hardie family, Clarence's heirs unwilling to split up chain: "It'd be like unscrambling an omelette." The Freedom omelette worth estimated $400 million for each of three Hoiles family branches.

Michael Grecco/Stock

TOP: Jeffrey Katzenberg (left), Steven Spielberg (center) and David Geffen
ABOVE: Paul Allen
Allen's $500 million investment in the Hollywood three's DreamWorks SKG gives them lots of working capital. Now where's the product?

Anne Windfohr Marion
Inheritance. Fort Worth. 56. Thrice divorced, remarried (to Sotheby's chairman, John Marion); 1 daughter. Great-grandfather Burk Burnett began 6666 Ranch with brand, 100 acres, at 21. Amassed 448,000 west Texas acres: valuable, "black gold" under it more so. Mom, "Big Anne," controlled till death. Player in oil, weddings; married 4 times, lastly to Charles Tandy, founder Tandy Corp. (Radio Shack). Oil, land to "Little Anne," product 2nd marriage. Keeps up traditions: collects oil royalties, art, husbands—"Underestimated as a businesswoman." Triangle Ranch (110,000 acres) sold 1994. Net worth estimated over $400 million.

Fitz Eugene Dixon Jr.
Inheritance. Lafayette Hill, Pa.; Palm Beach, Fla.; Winter Harbor, Me. 72. Married; 1 son, 1 daughter. Great-grandfathers were P.A.B. Widener, streetcar magnate, d. 1915 with reported $100 million estate; William Elkins, d. 1903 with reported $30 million fortune. Fitz: Harvard dropout, taught 16 years at his prep school, Episcopal Academy, "happiest days of my life." Big giver: medicine, education. Investments mostly blue chips, bonds, some real estate, including Grindstone Neck, Me. (resort where he was born). Philadelphia power broker. Owns 10% (baseball) Phillies. Grandfather George died on Titanic; Fitz wears emerald ring given to grandmother as she stepped into lifeboat. Fitz estimated $400 million.

Jane B. Engelhard
Inheritance. Far Hills, N.J. 77. Twice widowed, 5 daughters. Father was Brazilian diplomat. Family fled war-ravaged Europe for Buenos Aires with "nothing but our passports and our personal belongings." Second husband, "Platinum King" Charles Engelhard Jr. (d. 1971), inherited small Engelhard Minerals & Chemicals, built what is now Engelhard Corp.; prototype for James Bond character Goldfinger. Globe-hopped with Jane in private airplane: left $300 million estate. Jane retired socialite. Collects rare books, documents, e.g., original

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proclamation of Louisiana Purchase signed by Jefferson. Has $80 million foundation with daughters. Fortune "not as dependent on DJIA as some," should be over $400 million.

Thomas John Flatley
Real estate. Milton, Mass. 63. Married, 5 children. Born Ireland, to America 1950, age 18, $32 in pocket. Night school. Started electrical installation company, then found real estate development. Started with apartments; still owns over 5,000. Expanded scope: 14 hotels, 3 million square feet office space, 1.5 million sq. ft. industrial, over 2 million square feet retail. Retained frugal style, Irish accent. The anti-Trump: abhors leverage and publicity. Never bothered to incorporate—still sole proprietorship. Saw net worth plummet in real estate bust; rode out storm with holdings intact, no new debt. With real estate recovering, properties again approaching $1 billion, net worth back up to estimated $400 million.

Jeremy Maurice Jacobs
Sports concessions. East Aurora, N.Y. 55. Married, 6 children. Father Louis founded sports and theater concessionaire Emprise 1915; "Angel of Baseball" bailed out teams 1920s-30s, won long-term ballpark concession contracts (Detroit, Milwaukee, Chicago, etc.)—one runs to year 2000. "Godfather of sports" died 1968. Jeremy diversified: airport concessions, horse and dog tracks, Boston (hockey) Bruins, Boston Garden, visitor services Yosemite Park (1992). Looked at New England (football) Patriots, Boston (baseball) Red Sox. Wants basketball arena next to New Orleans Superdome. Added LA airport concession. Pari-mutuel interests hurt by flood of casinos, lotteries. Still, estimated $400 million.

William Barron Hilton
Hilton Hotels. Holmby Hills, Calif. 67. Married; 8 children, 12 grandchildren. Son of hotel magnate Conrad Hilton (d. 1979). Father wanted Barron to start at bottom of ladder. Barron left ladder, became WWII Navy photographer. Orange juice distributor at 19. Joined family business 1951 in operations. Founded LA (football) Chargers team 1960. Moved team to San Diego year later. Bought 2 Las Vegas hotels 1970; gaming division now accounts for 60% revenues. In 1989 thought of selling, but bids not high enough. Like late Malcolm Forbes, sponsored balloon to circle earth, failed. Enjoys aviation, hunting. CEO. Estimated $395 million.

Poultry king Donald Tyson (center) with fellow Arkansan Bill Clinton
Once a big supporter of Clinton, Tyson has fallen off Clinton's contributor disclosure lists and is now backing Republican Bob Dole.

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ENGLISH SCIENTIST (1824-1907)

impossible

SPACE TRAVEL IS UTTER BILGE.

SIR RICHARD VAN DER RIET WOOLEY,
THE ASTRONOMER ROYAL (1956)

no way

never

WHO THE HELL WANTS TO HEAR ACTORS TALK?

HARRY M. WARNER,
FOUNDER, WARNER BROS. STUDIO (1927)

won't

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BECAUSE PASSENGERS, UNABLE TO BREATHE,
WOULD DIE OF ASPHYXIA.

DIONYSIUS LARDNER,
ENGLISH SCIENTIST (1793-1859)

WHILE THEORETICALLY AND TECHNICALLY TELEVISION
MAY BE FEASIBLE, COMMERCIALLY AND FINANCIALLY
I CONSIDER IT AN IMPOSSIBILITY. . .

LEE DEFOREST,
AMERICAN INVENTOR (1873-1961)

can't

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Roy Richards Jr.
In the late 1970s the Richards family took an interest in a local congressman named Newt Gingrich. Would they back a Gingrich presidential run?

Anne Hendricks Bass
Divorce. NYC, Fort Worth. 54. Two daughters. Father Indianapolis surgeon, mother golf champ. Vassar 1963. Contributing editor Vogue. Split with Sid Bass *(which see)* after 23 years 1989. Reported $200 million settlement: Disney stock; $5 million Fifth Avenue apartment; Degas, Rothkos, Monets. "Sharing beauty with family and friends is, in part, a responsibility. I hope that doesn't sound too Midwest." Supports NYC ballet, has studied ballet since childhood. Fort Worth, NYC social whirls. "She can do whatever she wants now. She really enjoys the freedom—and it shows." Estimated $395 million buys lots of freedom. Daughters' nest eggs $257 million each.

Frederick W. Smith
Federal Express. Memphis. 51. Divorced, remarried, 10 children. Outlined Fed Ex plan in Yale senior thesis, got C. Decorated Marine in Vietnam. With inheritance ($3.2 million), family fortune ($8 million), venture capital ($70 million) started company 1973. First night, service to 25 cities, carried 16 packages; today, more than

"THE ALPS IN WINTER FORM AN IMPENETRABLE BARRIER."

Roman Military Tactician, 218 B.C.

THE ROMANS HAD ASSUMED THAT THEY WERE SAFELY PROTECTED BY THE COLOSSAL MOUNTAIN RANGE TO THE NORTH.

SO IMAGINE THEIR SURPRISE WHEN HANNIBAL, PULLING OFF POSSIBLY THE GREATEST COUP IN MILITARY HISTORY, SWEPT DOWN TO DEFEAT THEM AT TREBIA IN 218BC.

MOVING ON IN HISTORY, IN 1970 IT WAS WRITTEN IN STONE THAT A SMALL NUMBER OF WELL-ESTABLISHED MANUFACTURERS HELD AN UNSHAKEABLE GRIP ON THE WORLD'S AIRCRAFT INDUSTRY. ONCE AGAIN, HOWEVER, A HIGHLY MOTIVATED, SINGLE-MINDED CHALLENGER WAS WAITING IN THE WINGS.

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THANKS TO INNOVATIVE DESIGN AND MANUFACTURING, AND UNPARALLELED CO-OPERATION AMONGST THE FOUR FOUNDING PARTNERS, AIRBUS INDUSTRIE'S COMPLETE FAMILY OF AIRCRAFT NOW SUPPLIES 80% OF THE WORLD'S LEADING AIRLINES. OVER 1,300 AIRCRAFT HAVE BEEN DELIVERED TO AROUND 110 CUSTOMERS.

WHICH GOES TO PROVE WHAT EXTRAORDINARY THINGS CAN BE ACHIEVED WHEN YOU'RE PREPARED TO SCALE MOUNTAINS TO REACH YOUR GOAL.

AIRBUS INDUSTRIE
SETTING THE STANDARDS

2.4 million to over 200 countries daily. Some hard times: lost $300 million on ZapMail, satellite delivery of documents 1986. Didn't predict cheap faxes. Intra-European delivery a bust 1992. Streamlined European expansion; cut 7,000 jobs. Opened hub in Philippines 1995. Third-largest corporate PAC contributor 1994. Fed Ex plane in the Air & Space Museum. Smith's shares recently worth $395 million.

O. Bruton Smith ★
Speedway Motorsports, Inc. 68. Charlotte, N.C. Divorced, 4 children. Born, raised Oakboro, N.C. Interest in cars early on: "I wanted to be a racer, but my mother put a stop to that real fast." Instead, car dealer, race promoter. Built Charlotte Motor Speedway; held World 600 1960. Undercapitalized; bankrupt 1962. Regained majority control 1975. Added Atlanta Motor Speedway 1990. Company went public in February; first auto racetrack on NYSE. Bruton also owns auto dealerships N.C., Tex. String of legal battles: divorce; discrimination suit; negligence, breach of fiduciary duty suit over failed S&L (Smith won). Reportedly bought Idi Amin's private jet. Smith recently worth $395 million.

Russell Solomon and family
Tower Records. Sacramento, Calif. 70. Separated for 26 years, 2 sons. "A hippie who learned to run a business." Opened record shop in father's drugstore 1941, age 16, went broke. Thrown out of high school; quit junior college for Army. Tried record store again 1960; he had better luck. Opened the biggest record store in the U.S. 1968 in San Francisco. Concept: huge store, huge selection; let store managers pick merchandise to please local tastes. Now 119 U.S. stores, 38 outside U.S. Sales still climbing, expected to top $1 billion, but price wars in music retailing squeezing bottom line. Also Tower Video, Tower Books. Son Michael, 47, Tower general counsel; son David, 33, M.B.A., handles company finance. Net worth estimated perhaps $390 million.

Jackson Stephens
Stephens battled Wal-Mart heir Jim Walton for the Northwest Arkansas Times. Justice sided with Walton, but the paper was sold last month to a third party.

Roy M. Speer
Home Shopping Network. Freeport, Bahamas. 63. Married; 3 children. Southern Methodist, Stetson U. law degree. Lawyer until late 60s, began investing in real estate. Law too risky: "If anything ever happened to me, I wouldn't make any money." Tried Puerto Rican vegetable farm, oil venture. Late 70s picked up Tampa radio stations with radio veteran Lowell Paxson. Started Home Shopping on radio; switched to cable TV ("A picture is worth a thousand words"). IPO 1986. Hit with lawsuits, grand jury investigation seeking secret vendor stakes, hush money; later dropped. Resigned 1993. Semiretired Nashville, Fla., Bahamas. Likes fishing ("I eat them"). Estimated $390 million.

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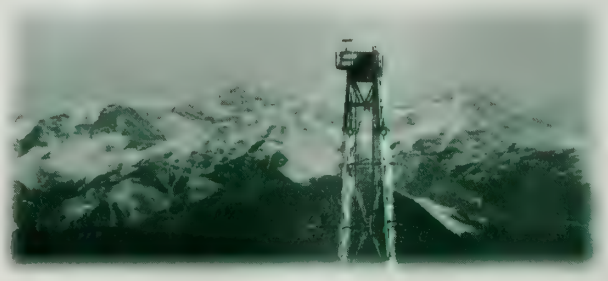

U.S. investors have a new opportunity to discover Canadian oil and gas through the September 21 listing of Calgary-based Alberta Energy Company on the New York Stock Exchange.

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William S. Boyd
Casinos. Las Vegas. 63. Divorced, 3 children. U. of Nevada; law degree U. of Utah 1957. Army 1953-55. Father Sam (d. 1993) came to Las Vegas with $30, ran penny roulette wheel; made point of saving half what he made. Rose to general manager of the Mint hotel: one of first to hire black dealers, admit black customers. Boyds cofounded Boyd Gaming

1973, built, operated California Hotel, catering to Hawaiians. Steered clear of mob. With clean reputation, appointed supervisors of Stardust 1984 after skimming scandal. With $185 million bank loan, bought Stardust and Fremont. Public 1993. BGC currently owns 7 casinos in Las Vegas, Mississippi, developing casino property Missouri. Recently worth over $390 million.

Alexander Gus Spanos
Real estate. Stockton, Calif. 73. Married, 4 children. Slaved in father's bakery as youth. Left to start catering service with $800 bank loan; sold sandwiches to migrant farm workers. Built first apartment complex 1960. A.G. Spanos Construction built 60,000 apts. across Sunbelt ("You don't find me in cold climates") before major retrenchment late 1980s. Famous for dance routine with golf buddy Bob Hope. Card partner Barron Hilton sold Spanos small stake in San Diego (football) Chargers early 1980s. Now owns 96%: bought Hilton's remaining 7.5% January 1994. Also more than 2,500 acres in Stockton, Brentwood. Satisfied? Never. "The day I'm satisfied, they can bury me." Still kicking, dissatisfied at estimated $385 million.

Forrest Mars Sr. trying, as always, to avoid the limelight **M&Ms, Kal Kan and Uncle Ben's Rice pay for the Beluga, Dom Perignon and what have you.**

Peter Sovignano/Ron Galella LTD

LEFT:
Lester Crown, Jay Pritzker and John Bryan
ABOVE:
Riverside Plaza
Crown stopped meeting his payments on a Chicago property known as Riverside Plaza. Will they still let him into expensive places?

Ellen Dorske/Chicago Sun-Times

Ernest Gallo
Wine. Modesto, Calif. 86. Widower, 2 children. Italian immigrant father bought 230 Modesto wine acres during Prohibition, sold grapes. Ernest, brother Julio sweated in vineyards as teens. Taskmaster father killed wife, self 1933. Ernest, Julio raised young brother Joseph Jr., ran winery. Ernest "intuitive marketing genius," tough boss: "You can work for him for 20 years. But the day he thinks you're not working as hard as you should, he'll fire you." Early on, big in cheap wines: Thunderbird, Night Train. Stepped up to varietal wines 1970s, 1980s, now major presence premium wine market. Julio died in car crash 1993. Ernest still running the show; his half Gallo estimated over $380 million. Julio's family has other half.

Saul Phillip Steinberg and family
Financier. NYC. 56. Twice divorced, remarried; 6 children. Finished Wharton 3 years, age 19. Founded computer-leasing firm Leasco 1961 with father's $25,000; went public 1965.

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Forbes
July 31, 1995

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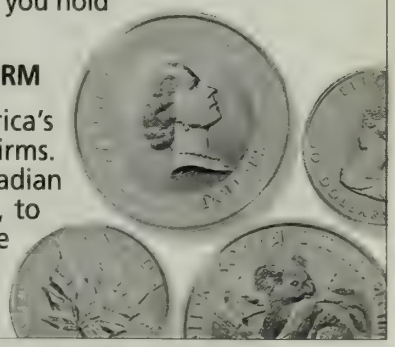

Took over Reliance Insurance 1968, failed run at Chemical Bank 1969. Took Reliance private 1982 for $550 million; public again 1986. Played junk market mid-1980s. Reliance, under weight of junk bond debt, sold business assets. In 1993, $650 million debt refinancing, $200 million stock offering; holding diluted from 65% to 49.5%. Sizable art collection in 34-room Park Ave. apartment formerly owned by Rockefellers. Suffered mild stroke June; back to work last month. Estimated at least $380 million.

Richard E. Jacobs
Shopping centers. Lakewood, Ohio; NYC. 70. Divorced, 3 children. Raised Akron, unpretentious son of Goodyear blimp salesman. Postwar, followed brother Dave into real estate sales; assembled sites for Ed DeBartolo *(see son)*. Teamed with Cleveland strip builder Dominic Visconsi 1955; built first mall in Columbus, Ohio 1964. Later bought out Visconsi. Dave died 1992. Dick now runs 40 malls nationwide, totaling 40 million sq. ft. REIT offering 1994 withdrawn after underwhelming market response. "They haven't been the most kind." Fortune divvied up 60% Dick, 40% Dave's heirs. Dick also owns Cleveland (baseball) Indians, operates stadium, etc. Dick estimated over $380 million.

Kenneth Eugene Behring
Developer. Blackhawk and Palm Springs, Calif. 67. Married; 5 sons, all in business. Injured knee playing football; left U. of Wisconsin. Leased $15/month gravel lot, sold used cars; moved up to selling new Lincolns, etc. To Florida 1956, $10,000 profit selling new house. Eureka! Real estate! First developing success: Tamarac, pioneer Florida retirement community. To California 1972, big developments: plush Blackhawk, Canyon Lakes. Building near Seattle's technology boom. Owns 75% Seattle (football) Seahawks. Still collecting, dealing cars: drives Clark Gable's Duesenberg, recently gave 70 antique cars, building to UC Berkeley, gift worth over $100 million. His net worth estimated $380 million or more.

Edmund Newton Ansin
TV stations. Miami Beach. 59. Divorced, 3 children. Andover, Harvard, Wharton. Son of Massachusetts shoe manufacturer who bought Florida property 1940, FCC license for $3.4 million 1962. Edmund took over WSVN-TV 1971. NBC affiliate, no debt; prospered. Dropped by NBC 1987. Big mistake. Revamped as tabloid news station: crime, sex, flashy graphics. Soon revenues higher than competing NBC, CBS stations. Bought Boston's WHDH-TV for $215 million 1993. Son Andrew, 31, in real estate division; James, 29, TV marketing, sales. Ed unlike stations: "I'm probably the most boring person you ever talked to." His Sunbeam TV estimated $380 million or more, with TV station markets strong.

Howard Phipps Jr.
Anne Phipps Sidamon-Eristoff
Inheritance. Brother and sister. Grandchildren Pittsburgh steel magnate Henry Phipps, children of Howard Phipps (d. 1981). Howard Jr. (Howdy): Old Westbury, N.Y. 61. Married, 3 children. Lives quietly; represents self and sister on board of family-founded Bessemer Trust; active in NYC cultural circles. "He'd like to be thought of as another Laurance Rockefeller. He's not a lot of laughs." Anne: NYC. 63. Married, 3 children. Active on NYC museum boards (American Museum of Natural History, Museum of Modern Art). Husband prominent attorney. Phipps family still known for their racehorses. With family's part of Bessemer estimated at $3.75 billion, Howard and Anne's shares each estimated at least $375 million. Four other family branches share rest.

Jerral Wayne Jones
Oil and gas; Dallas Cowboys. Dallas. 53. Married, 3 children. Born LA; to North Little Rock, Ark. early 1940s. U. of Arkansas football, M.B.A., joined father's insurance business 1965. Bought, developed gas properties as Arkoma with gas engineer Mike McCoy. Bought undeveloped wells from Arkla 1982, sold back for big profits 1989. Bought then-weakening (football) Cowboys, fired legendary coach Tom Landry; first season disastrous 1-15 record. Turned around; Texas Stadium (Jones owns lease) revenues by far league's highest. Says making money is "like trying to quench a thirst . . . I've never gone to sleep yet without wanting something more to drink." Drinking deeply with net worth estimated over $375 million.

J. Howard Marshall III
E. Pierce Marshall
Brothers. Inheritance. J. Howard III: Trained physicist. Pasadena, Calif. 59. Married. E. Pierce: Oilman. Dallas. 56. Married, 2 children. Father J. Howard II born Philadelphia. Magna cum laude Yale Law 1931; assistant dean Yale Law age 28. Interior Department lawyer. Chief counsel WWII Petroleum Administration for War; advised Joint Chiefs of Staff on oil policy. Invested in Great Northern Oil Co. with Fred Koch *(see Kochs)*; swapped for stake in Koch Industries, now privately owned oil and gas distribution juggernaut. At age 89, marriage widely celebrated in tabloids to 26-year-old Guess? jeans model Anna Nicole Smith; died August, 14 months later. Pierce had already moved aggressively to get power of attorney over father's affairs. Pierce, Smith divided ashes, held separate funerals; Smith reportedly seeking—relatively—modest settlement. Her stepsons believed heirs to bulk of fortune estimated some $750 million.

B. Francis Saul II
Inheritance, banking, real estate. Chevy Chase, Md. 63. Married, 5 children. Grandfather founded Washington, D.C. real estate company 1982. Formed B.F. Saul REIT 1964; took private 1988. Started Chevy Chase Bank in trailer; now over $5 billion assets, largest thrift in Maryland. Thrift needed capital 1993, back on firm footing after $75 million preferred offering; settled Justice Department redlining charges 1994. Formed public REIT, Saul Centers, primarily with shopping center properties, to raise cash 1993. B.F. Saul REIT left with hotels, office buildings, industrial, undeveloped land, mostly in Southeast. Son B. Francis Saul III fourth generation in business. Public REIT helped net worth to estimated $375 million.

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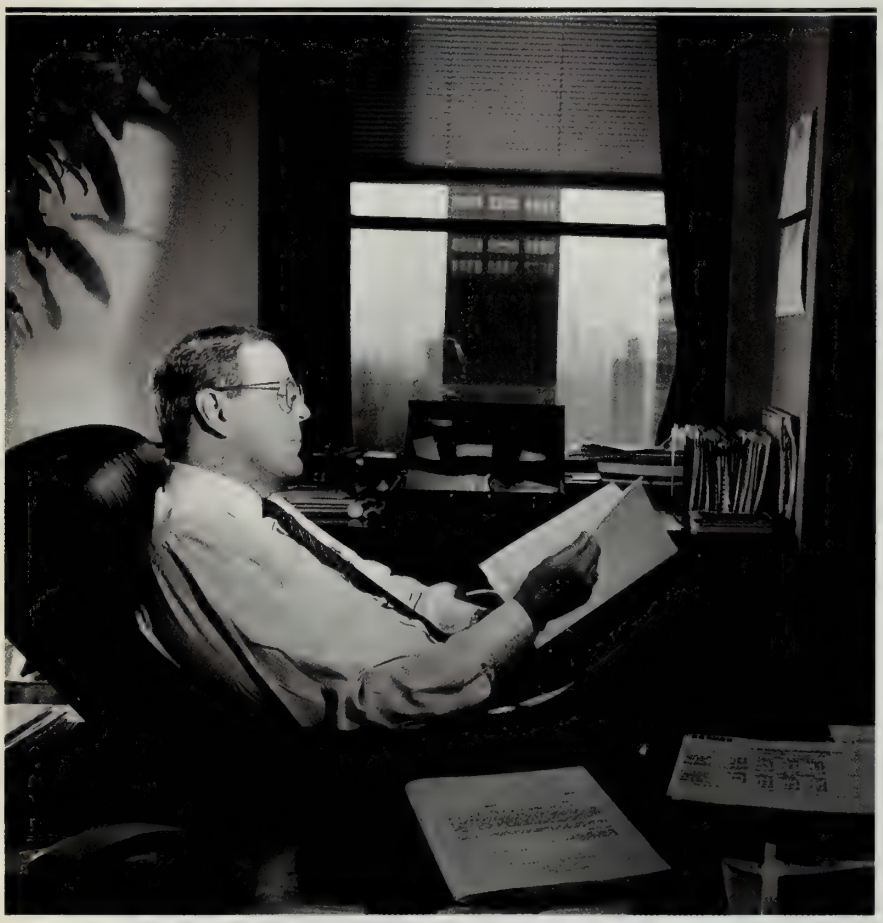
Steven Ferencz Udvar-Hazy
International Lease Finance Corp. Beverly Hills, Calif. 49. Married, 4 children. Born Budapest. Family escaped to Sweden, then NYC; LA 1962. UCLA B.A. 1968. Had own aircraft-brokering, consulting business; pooled $150,000, $1.7 million bank loan with Gondas *(which see)* to form ILFC 1973. Public 1983; merged with American International Group 1990; one of world's largest aircraft lessors. Known as a demanding businessman and shrewd negotiator. Strong sense of industry: $4.7 billion Boeing jet order in the mid-1980s, including generation not yet in use; those flying now are the industry standard. Steven, president ILFC, recently worth $375 million.



Fred R. Conrad/NYT Pictures

ABOVE:
David Koch
LEFT:
Jackie Onassis' New York City apartment building
The apartment's new owner now has a nice quiet place to hold parties.

Jose M. Mantel/SIGI

James Lee Clayton
Mobile homes. Knoxville, Tenn. 61. Twice divorced, 4 children. Son of sharecropper. "I [recently] picked a little cotton just for fun and confirmed that I never want to do that again." Played guitar, had radio program. "There's a lot of money to be made in entertainment, but it was always going in the wrong direction." At 22 had own used-car lot. Bankrupt at 27. Got U. of Tennessee law degree while working nights at radio station. In 1966 started mobile-home business. Took Clayton Homes public 1983. Knew market; smart on credit. Today largest U.S. retailer mobile homes. Owns Tennessee bank, gives to Tennessee cultural, educational institutions, but "still a used-car salesman at heart." Estimated $375 million.

David Sun★
John Tu★
Cofounders Kingston Technology; makes computer memory upgrades. Fountain Valley, Calif. John, 54; David, 44. Each married, 2 children. Taiwanese immigrants who share an interest in basketball. Cofounded first memory company, Camintonn, 1982. Sold to AST Research for $6 million, 1986. Promptly lost most of it in 1987 stock crash. Founded Kingston to make it back. Hit huge demand for memory enhancement, doubled sales every year to $802 million in 1994; expect over $1.3 billion 1995. Expanding abroad. Buy chips at bulk prices, subcontract assembly; use economies of scale to finance meticulous customer service. See company as family, say productivity improved. Philosophy is "trust everyone," often concluding deals without paperwork. Adamantly guard modest lifestyle: "Me and John are just average guys," says David; still lives in same 2,900-

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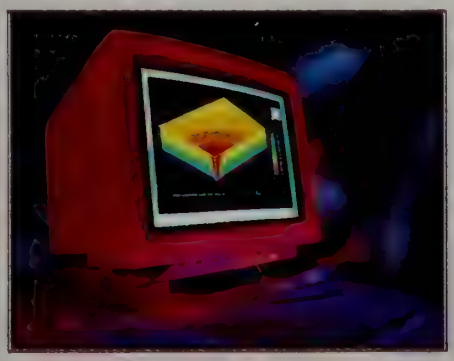
No one really knows at what precise point fire was first discovered. But for the sake of argument, we'll assume it didn't take much longer to discover how destructive it can be.



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square-foot tract house, drives '89 Bronco. "Feel sorry for me. . . ." Each estimated $370 million.

Virginia McKnight Binger
Inheritance. Wayzata, Minn. 79. Married; 3 children (1 deceased), 4 grandchildren. Only child of William McKnight, South Dakota farmboy who climbed nascent 3M's corporate ladder from bookkeeper to CEO; d. 1978. "He was a workaholic." Virginia: married to retired Honeywell CEO James Binger; runs their NYC Jujamcyn theater chain. She's honorary chair McKnight Foundation: assets $1.2 billion, e.g., $16 million grant for family housing 1995. Only family members on board. Also own charity, VMB fund. No board, just ideas. "We hear about things and give to them. We make it up as we go along." Once raised Thoroughbreds, won Kentucky Derby 1990. 3M stock, etc., recently worth over $370 million.

Marshall Edison (Doc) Rinker and family
Concrete. Palm Beach. 90. Widowed, remarried; 3 sons. Nicknamed after family doctor. Arrived Florida stone broke in Model T. Scared up enough for single dump truck, founded Rinker Rock & Sand Co. 1926. Original workaholic: 12-hour days, half Saturdays standard for Rinker, employees. Grew to largest Florida supplier ready-mix concrete. Son president 1982, left 1983. Doc: "The worst thing you can do is put a Boy Scout in a soldier's uniform." In 1988 sold to Australia's CSR Ltd. for rock-solid $515 million. Now manages stock, bond portfolios, large foundation. Last year "just hanging in there." More to manage this year with bull market surging through portfolio. Net worth estimated $370 mil-

Richard Paul Simmons and family
Allegheny Ludlum. Sewickley, Pa. 64. Married, 2 children. MIT scholarship, 1953. Started at Allegheny, but left for 15 years at Republic Steel and Latrobe Steel. Returned to Allegheny 1968. A steel visionary in the 1980s. Spent Christmas Day 1980 gathering financing for LBO. "I was going to control my destiny. If I blew it, fine. But I had the freedom to try out my ideas." Ideas: precise accounting system (knows cost of each piece of steel); every plant a cost center. "If I needed a bodyguard, it wasn't to protect me from the union, but from the management." Spent over $40 million in 4 years for facilities to comply with EPA regs; EPA suing anyway: alleged clean-water violations. Dick's, wife's shares recently worth over $370 million.

Leslie L. Gonda
Louis L. Gonda
Father and son. International Lease Finance Corp. Beverly Hills, Calif. Leslie: 76. Married, 3 children. Left Hungary 1947. Began purchasing commercial real estate. Moved to California 1963 in time for construction boom; struck it rich. Louis: 47. Married, 5 children. With friend Steven Udvar-Hazy *(which see)* and father, Leslie, pooled $150,000, $1.7 million bank loan to form ILFC 1973. Deregulated airliners lined up for cheap, low-risk, short-term leases. Went public 1983; became one of world's largest aircraft lessors. Earned $61 million 1989, merged with AIG 1990. Leslie: active philanthropist; donated heavily to U.S. Holocaust Museum in Washington, D.C. Chairman Leslie and Executive vice president Louis each worth $365 million.

Robert Freeman Weis
Weis Markets. Sunbury, Pa. 76. Married, 3 children. WWII Army Air Force; Yale. Father and uncle opened small Sunbury grocery 1912. Offered no customer credit, cash only. Became Weis Markets 1955. Now 151 stores, 6 states. Bestseller: 2,000 private-label items. "We have people who understand what quality is." Added own manufacturing; also construction division, truck fleet. Own real estate, including almost half their stores. Teamed with Wal-Mart 1991 to open more stores in Pennsylvania. Many now have low-priced pharmacies. Also, for canine customers, owns 80% SuperPetz chain. Zero long-term debt. Collects art. Son Jonathan, 28, Yale grad, in company. Robert's 29.5% recently $365 million.

Nan Tucker McEvoy
Publishing. SF. 76. Divorced, 1 son. Granddaughter of Chronicle cofounder Michael H. de Young (d. 1925). (Other cofounder Charles de Young shot mayoral candidate in feud 1879; victim's son then shot Charles to death.) Joint operating agreement with Hearst-owned San Francisco Examiner. Nan called only liberal in family: former Peace Corps administrator, founder abortion clinic. Inherited largest share of Chronicle after mother, family matriarch Phyllis de Young Tucker, died 1988. Well liked, active chairwoman, will sell San Francisco Chronicle "over my dead body." Now 3 dailies, 3 TV stations; cable recently sold to TCI for an estimated $565 million. Cousins forced Nan off board April 1995. Nan's share about $360 million, overall family, $1 billion.

Henry W. Bloch
H&R Block. Shawnee Mission, Kans. 73. Married, 4 children. U. of Michigan B.S. 1944. Lawyer father, mother a New York Wollman (as in Central Park's Wollman Rink). Enlisted Air Force 1943; 31 combat missions; Air Medal, 3 Oak Leaf Clusters. Started business 1946 with great-aunt's $5,000 loan, hired younger brother Richard: accounting for small businesses. Ran ad 1955 to do individual tax returns, $5 each; found a new business: "There was really nobody around to help the average person." Bought CompuServe 1980; wisely kept it. Quit as CEO 1992; succeeded by son Tom Bloch, who resigned April 1995 to pursue teaching career. Stock, impressionist art, etc., estimated over $360 million.

Sheldon Adelson ★
Trade shows. 62. Married; 5 children. Boston, Las Vegas. City College of New York, then corporate finance, real estate. Tried venture capital, lost big in 1969 market slide. Formed Interface Group, started trade shows 1971. First Comdex—Computer Dealers Expo—1979. Added other shows; into Japan 1985. Comdex Fall, in Las Vegas, mother of all trade shows, must-attend event for computer industry. Bought Sands Hotel & Casino for $135 mil-

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lion 1989, added convention center. Sold trade shows, including Comdex, April for almost $900 million to software mogul Masayoshi Son's Japan-based Softbank Corp. Investing in Israeli high-tech firms. His 59% Interface, etc., estimated over $360 million.

Athalie Irvine Smith
Inheritance, lawsuits. Middleburg, Va.; Corona Del Mar, Calif. 62. Thrice divorced, 3 sons. Father James Irvine III died of TB 1936. Athalie—"Joan"—close to grandfather James Jr., Orange County, Calif. rancher who set up foundation run by business cronies for 120,000-acre ranch; drowned 1947. Second son died of self-inflicted gunshot wounds. Joan and mother inherited 22%. Joan litigious, fought cronies, filed some 20 lawsuits. Joined Taubman-Allen-Bren *(see all)* Irvine Ranch buyout 1977, got $76 million. Bren bought control 1983. Sued for better price; eventual $250 million-plus settlement 1991. Mother died 1993. Major collector California impressionists. Estimated over $360 million.

Willis Harrington du Pont
Edith du Pont Pearson
and families
Inheritance. Surviving children of Lammot du Pont, brother and key associate of Pierre Samuel II *(see du Pont family);* president Du Pont 1926-40, chairman 1940-48; d. 1952. Willis: Palm Beach, Fla. 59. Married, 3 children. Son of Lammot's fourth wife (other siblings by first). Citrus, banking investments in Florida. Brother Pierre S. du Pont III (d. 1988) lost small fortune backing movies, father of Pierre IV, former governor Delaware, onetime presidential candidate. Edith (Mrs. George Burton Pearson Jr.): Montchanin, Del. 83. Widowed, remarried; 5 children by first marriage. Husband retired Delaware judge. Willis, Edith and families believed to share fortune estimated $700 million.

Cyril Wagner Jr.
Jack E. Brown
Partners. Oil and gas, investments. Midland, Tex. Wagner: 61. Divorced, remarried; 5 children. Brown: 70. Married, 3 children. Geologist Wagner set up partnership with engineer Brown 1962, sealed with handshake. "Brown knows a good deal when he sees it. Wagner knows how to sell it." Built up oil reserves, became major if mysterious force Midland oil community. Saw 1980s oil collapse coming, diversified into shrimp farming, plastics, real estate. With raider T. Boone Pickens made unsuccessful runs on Gulf (1984, made $70 million), Unocal (1985), Phillips Petroleum, others. Unocal bid costly: lawsuits cost Wagner and Brown $4.7 million, Pickens $42.8 million. Finally got Insilco Corp. 1988 for $813 million; a bust: Insilco out of bankruptcy 1993. Exploring in Australia, Europe. Despite botched takeovers, their stock, etc., estimated some $350 million each.

Clarence Scharbauer Jr.
Inheritance, oil. Midland, Tex. 70. Married, 4 children. Family moved from NYC, settled in Midland 1889. Father became leading citizen, built hotel, ran bank. Also rancher, bought up thousands of acres Goldsmith Field to feed cattle. Land turned out to be in one of richest U.S. oil provinces, the Permian Basin. First strike 1935; has produced more than 900 million barrels of crude since. Clarence Jr. one of most powerful men in Midland, west Texas oil capital. Doesn't drill; sits back, collects royalties. Very private. Has 350,000 acres ranch land; developing small pieces. Tends to horses, including 1987 Kentucky Derby and Preakness Stakes winner Alysheba. Estimated net worth some $350 million.

Stuart Subotnick ★
Metromedia. NYC. 53. Married, 2 children. Top exec, all-around right-hand man to legendary dealmaker John Kluge *(which see).* Grew up city projects, Bensonhurst, N.Y. Working for IRS 1967, answered blind ad for tax position at Metromedia. Urged full review all candidates before taking job: "If you still think I'm the right person for the job, give it to me then." Hired. Slaved 13 years until CFO died 1980. Not in line for job but tapped after long search. Read up on corporate finance. Has since propelled Metromedia through biggest deals. Gets 5% equity in most. Also owns horses, radio stations, real estate. Kluge: "We both came from very modest backgrounds. We know what a dollar is all about." Estimated $350 million.

Stanley Druckenmiller ★
Soros Fund Management. George Soros' *(which see)* second-in-command. NYC. 43. Married, 3 children. Magna cum laude, Bowdoin College. Skipped graduate school economics to become stock analyst, Pittsburgh National Bank. Quickly promoted. "I had a natural aptitude." At 28, left to start money manager Duquesne Capital Management 1981. To Dreyfus as fund manager 1986, still running Duquesne. To work for hero Soros 1988, who became mentor. Quick study: got day-to-day management of all funds 1989. Funds took off. "Soros has taught me that when you have tremendous conviction on a trade, you have to go for the jugular." Believed to get 30% of Soros' incentive fee. Net worth believed above $350 million.

Peter Ackerman
Junk bonds. London. 48. Married, 2 sons. Colgate; Tufts' Fletcher School (Ph.D.). Joined Drexel junk bond group 1978 as analyst; academic became "sleek, blue-suited Turnbull & Asser deal machine." Milken's special projects man 1981. KKR's investment banker: $165 million salary and bonus 1988, mostly for RJR Nabisco takeover. To London, just before Drexel bankruptcy 1989. Consulting, with partner, as Rockport Financial. Small investments in buyout funds (LA's Aurora Capital Partners, Canyon Partners). Chairman of Sokol, Russian joint venture to launch private satellite: "There is an almost unlimited number of high-internal-rate-of-return opportunities in Russia." Estimated $350 million or more.

Norman Hascoe and family
Semiconductor materials; investments. Greenwich, Conn. 66. Married, 3 children. Engineering degree.

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Started on own 1957 with $8,000. Accumulated over 100 patents high-reliability advanced semiconductor materials. Sold part of business 1969, later bought back. Sold large portion 1983, got cash, 1.345 million Allied-Signal shares; total over $100 million. Separately, sold other assets; also the stock, after rise. Portfolio now managed by sons Lloyd, Andrew: some in hedge funds; mostly liquid. Lloyd handles securities; aggressively looking beyond North America, Western Europe: "We are completely diversified." Andrew handles real estate, buying shopping centers. Estimated over $350 million, maybe well over.

Timothy E. Gill
Farhad Fred Ebrahimi
Partners. Quark, Inc. Denver. Gill: 41. Single; lives with companion of nine years. U. of Colorado. B.S. applied math, computer science. Lost job at computer company started by high school buddies: "I figured if I started my own business, I'd be the last person fired." Started Quark, Inc. ("a nice, cool, scientific word") in bedroom with $2,000 from parents 1981. QuarkXPress out 1987, quickly became top desktop computer software for page layout. Targeting high end of market (rival Aldus PageMaker its major competitor). Brought in Ebrahimi as 50% partner 1986 to handle finance, accounting. Ebrahimi: 56. Married, 2 children. UCLA. Introduced to Gill by mutual attorney; Ebrahimi bought 50% Quark for $100,000. Gill: "We were at $2 million or $3 million in sales then." Sales 1993 reported $114 million; gaining on PageMaker ($130 million). Enormously profitable. Tim heads design team, Fred still handles business end. Gill: "It works real well. Because our 50-50 interest balances out, we have to agree." Each partner estimated over $350 million.

Sheldon Henry Solow
Real estate. NYC. 67. Married, 2 sons. Small-time builder, risked all on 1.5-million-square-foot Manhattan skyscraper 1972. "We're in barracuda land. You can only get away with this once." Once is all you need when it's 9 West 57th Street, "one of the highest assessed buildings in New York." NYC's "bell bottom" building has sloping glass sides and catchy red "9" sculpture on sidewalk. Tenants include J.P. Morgan, Avon. Gets premium rents for great location, park views. Also some lesser Manhattan office space, residential properties. Known as contentious, litigious: "He's an impossible man." Big collector modern art. Press-averse. Net of debt, worth estimated over $350 million, mostly 9 West 57th.

Scott Cook ★
Intuit. Menlo Park, Calif. 42. Harvard M.B.A. 1976, hawked Crisco for P&G. With wife, designed check-writing program for home computer; saw possibilities. Founded Intuit with Stanford student Thomas Proulx, 1983. Had to borrow $325,000 from father, friends: "I was a former fat salesman and my partner had just dropped out of school. No one would

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touch us." Sold first big Quicken order 1986, after laying off staff, giving up salary. Now holds 75% market share. Public 1993. Turned down Microsoft 1990. Accepted $1.5 billion Microsoft bid October 1994. Microsoft dropped acquisition after Justice Department challenge. Intuit now battling Microsoft for bank alliances. Cook's Intuit shares recently worth over $350 million.

Katsumasa (Roy) Sakioka and family

Real estate. Costa Mesa, Calif. 97. Widowed, 6 children. Youngest of 6, emigrated from Japan 1916; eventually naturalized. Tenant farmer; spent WWII in internment camp. Started buying farmland 1946. Small down payments, worked off mortgages. Expanded 1950s: good eye for location, canny in getting low prices. Started selling some farmland as southern California development encroached. Although land values have stagnated in recent years, still holds valuable acreage LA, Orange, Ventura counties. Tight-knit family maintains extremely low profile. Despite relatives' involvement, Roy said to be still running the show. Wisdom of the ages priceless; net worth estimated $350 million.

Monroe Milstein and family

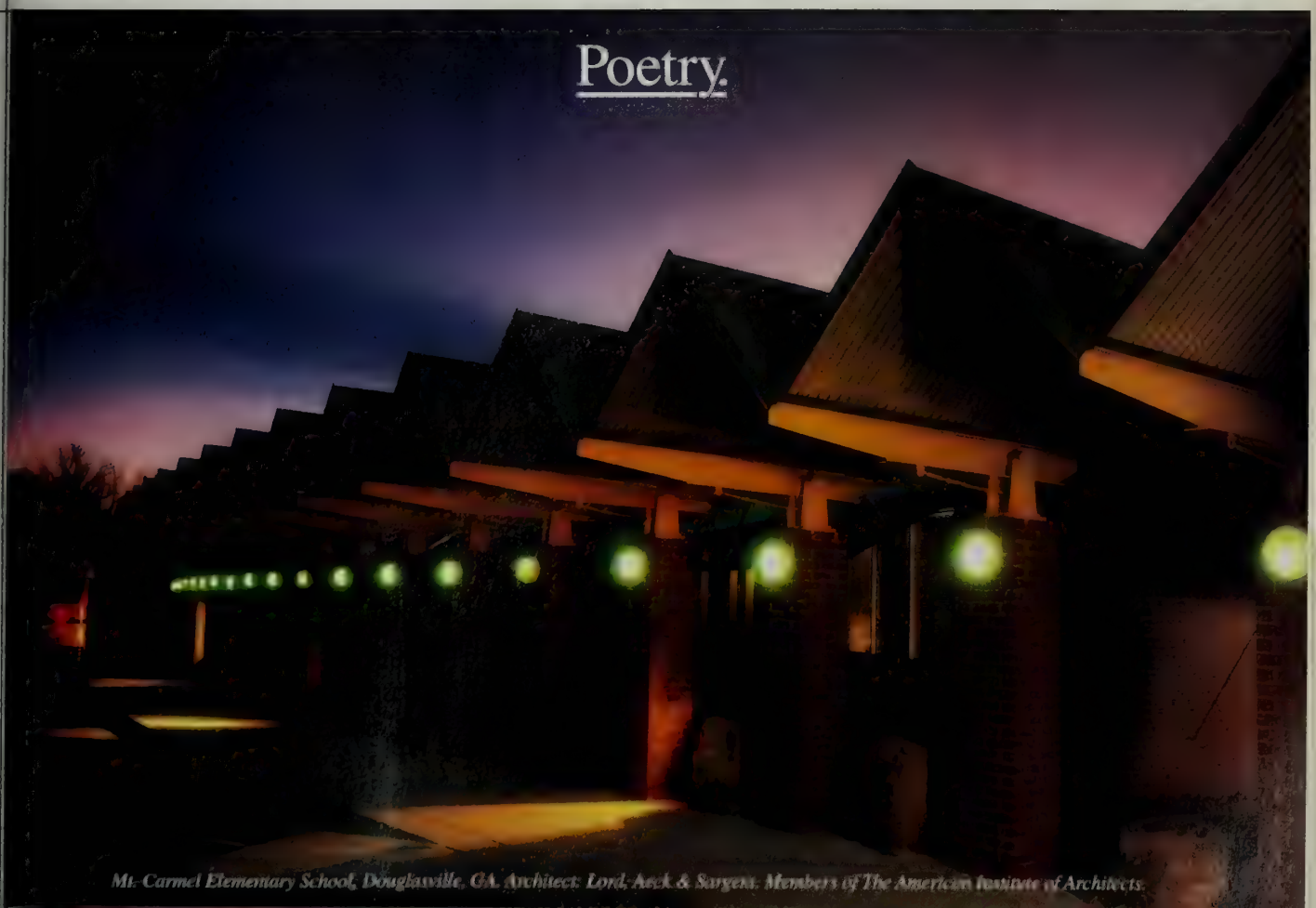
Burlington Coat Factory. Burlington, N.J.; NYC. 68. Married, 3 sons. Cousin to NYC real estate's Milstein brothers (Forbes Four Hundred dropouts 1992). NYU business degree, at 19. Started wholesale suit company. Merged with Russian immigrant father's coat company 1953. Father balked at entering retail. Wife Henny gave $60,000 life savings toward $675,000 Burlington purchase, 1972. Success: loads of merchandise, inventory controls, no-frills merchandising. "Be patient and let volume take care of profits." Now over 230 stores in 41 states. Monroe, wife, 2 sons and a former stock boy run company. Third son is independent computer consultant. With family, shares, etc., recently worth $350 million.

Karsten Solheim

Ping golf clubs. Phoenix. 84. Married, 4 children. Son of immigrant Norwegian cobbler settled Seattle 1913. Quit college in Depression, opened shoe shop. San Diego shipyard job WWII led to engineering career with GE; helped develop first portable TV. Tried links on 1953 business outing; disastrous; decided to improve by redesigning putter; named it after "ping" sound made striking ball. Putters successful 1960s, but kept day job until 1967. Added irons, woods 1970s. Specially grooved clubs so accurate, temporarily banned from tournament play. Karsten Mfg. once 50% putter market, 30% irons, recently hurt by Callaway Golf, Cobra, et al. Solheim still on green, estimated $350 million.

Oakleigh Blakeman Thorne and family

CCH (formerly Commerce Clearing House). Millbrook, N.Y. 63. Divorced, remarried; 3 sons, 1 daughter. B.A. Harvard 1956. Great-grandfather bought company 1892, 21 years be-



fore income tax enacted. Publishes tax guides for lawyers, accountants, etc. Biggest subscriber: IRS. Lives on 900-acre "Thorndale" estate, plays polo. "I don't really have a management function." Company now managed by fourth generation. Founder's great-great-grandson, also Oakleigh, 38: CEO, President. Columbia M.B.A. 1986. Refocused company: electronic publishing, CD-ROM for the computer-savvy customer. Reaching consumers on-line via Microsoft Network. Stock, estate worth at least $345 million.

Ian Cumming ★
Banking, insurance investments. Salt Lake City. 54. Married, 2 children. Canadian-born. Harvard Business School; met partner Joseph Steinberg. LBO apprenticeship at Carl Marks & Co. Bought bankrupt company early 1970s; now Leucadia. Aggressive takeovers: sought out hidden value of deep-discounted companies. Bought insurer PHL Corp.'s debt 1986; traded for equity in bankruptcy. Bought Colonial Penn for $128 million 1992; has been valued at $800 million. Lawsuits: aggrieved shareholders complain at what now seem miserly prices. Cumming bought ski resort Park City 1994; run by son John. Deep pocket for Utah Democrats. Publicity-averse: no annual report photos. Estimated $345 million.

Walter McBride/Retna

Oprah Winfrey and friend
It's amazing what you can do when you "get rid of that slave mentality."

Oprah Gail Winfrey ★
Talk. Chicago. 41. Born rural Mississippi, moved to Milwaukee, then Nashville. Miss Black Tennessee age 19. Left Tennessee State U. 1973, became Nashville TV newscaster. News anchor Baltimore ABC station 1976; emotional, ad-lib delivery got her pulled off air after 9 months; switched to morning talk show. Joined A.M. Chicago 1984, boosted city's third-rated talk show to number 1 in Donahue's hometown. Big year 1986: "Oprah Winfrey Show" into national syndication by King World *(see King family)*. Negotiated best deal in syndication: believed to get over 60% of show's revenues. Earnings, after tax, add up to estimated $340 million.

Leon Levy
Money manager. NYC. 70. Divorced, remarried; 1 child. Studied music, psychology City College of N.Y.; barred from securities analysis course (lacked prerequisites); later taught course. Joined Oppenheimer & Co. 1951; ran research. Made killing on bankrupt railroad bonds 1950s; helped develop institutional sales force. Oppenheimer sold 1982. Formed famed Odyssey Partners with Jack Nash same year. Flat 1994 and first half 1995, but summer bet on dollar against yen paid off. Collector antiquities; sponsors Harvard archeological dig in Israel. Wife sometime FORBES contributor Shelby White, author *What Every Woman Should Know About Her Husband's Money.* Shelby hasn't said, but we estimate net worth exceeds $340 million.

THE SMITHSONIAN INSTITUTION'S NATIONAL MUSEUM OF THE AMERICAN INDIAN

A CELEBRATION OF NATIVE AMERICAN CULTURES

BY LORETTA E. KAUFMAN AND MARY W. QUIGLEY

A CELEBRATION OF NATIVE AMERICAN CULTURES

oo often, perceptions of American Indians have been formed by films and books that sketched one-dimensional pictures of either fierce painted savages, stoic wilderness guides or eco-friendly wisemen.

The Smithsonian's National Museum of the American Indian hopes to shatter these stereotypes. The flagship facility, slated to open in 2001, will be constructed on the last available site on the National Mall, between the National Air and Space Museum and the U.S. Capitol.

Museum Director W. Richard West Jr., a Southern Cheyenne, explains that its mission is centered on "the efforts of Native peoples to preserve a way of life against great odds and their success in doing so. It represents an unprecedented opportunity to change the way Native peoples are seen and their stories heard."

Created by an act of Congress in 1989, the museum is mandated to "protect, support and enhance" Native cultures and communities. The act also stipulated that the Smithsonian must raise one-third of the $110 million construction cost for the museum on the Mall. The legislation, shepherded through Congress by Senator Daniel K. Inouye of Hawaii and then-Rep. Ben Nighthorse Campbell of Colorado, was the culmination of years of debate and discussion among Smithsonian officials, Native American representatives and trustees from the Museum of the American Indian/Heye Foundation.

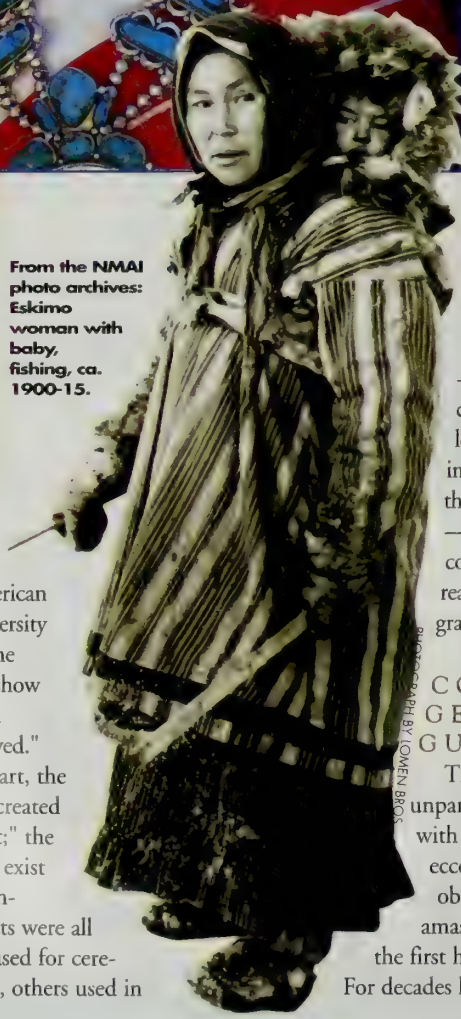
Comprising the core of the museum's exhibitions, the Heye collection, an extraordinary treasure of nearly one million artifacts, represents Indian communities from the top of the Arctic Circle to the tip of Tierra del Fuego.

The Native Americans involved in planning are committed to the idea that the museum reflect the impact that Indians have made on all aspects of American life. "I think it's about time American Indians are recognized for the contributions that they have made, not only to our society but to the world. From government to medicine, nutrition and the arts, Native Americans have played a substantial role in our culture, but are rarely recognized for this," says Campbell, now a U.S. senator.

The result is a unique approach to the museum. Exhibitions will be interpreted, not only by art historians and archaeologists, but also by Native Americans themselves, who will explain the strength, beauty and relevance of objects, ensuring historically accurate information about their cultures, traditions and values. "The Indian voice had not been heard in a museum before," says Clara Sue Kidwell, a Choctaw/Chippewa who directs Native American studies at the University of Oklahoma. "The Native voices will show new ways in which objects can be viewed."

PHOTOGRAPH BY JEFFREY FOXX

Through computer technology, NMAI will reach children across the country.



PHOTOGRAPH BY LOMEN BROS.

From the NMAI photo archives: Eskimo woman with baby, fishing, ca. 1900-15.

For the most part, the artifacts were not created for the sake of "art;" the word doesn't even exist in many Indian languages. The objects were all functional, some used for ceremonies and rituals, others used in daily life, but all reflected the Indian view o life. "To see the universe through the eyes (Indian America, through the vision of the Indian, was to see it whole, to see it as a complex of natural forces and spiritual bein — animal, human and supernatural — woven together in a delicate, intricate and indivisible web," explains Professor Rennard Strickland, an Osage/Cherokee, dean of the School of Law, Oklahoma City University and an expert on contemporar Native American art.

An equally important part of the museum's mission is to demonstrate that Indian cultures are not something of the past. Instead, the museum will show through art, dance, music, poetry, literature and drama that Indian cultures continue to flourish. According to the 1990 census, more than two million Native Americans, more than half under 21, are divided among 500 separate tribal groups.

The Washington, D.C., facility will not be the only site where Indian life will be celebrated. The National Museum of the American Indian is actually made up of three museums — a permanent New York center already open, a collections and research center in Suitland, Maryland, and the major facility on the Mall — plus a "Fourth Museum" comprised of high-tech outreach and education programs.

COLLECTOR GEORGE GUSTAV HEYE

The story of the museum's unparalleled collection begins with George Gustav Heye. An eccentric engineer, banker and obsessive collector, Heye amassed the collection during the first half of the 20th century. For decades he made an annual trek

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across the continent in a Pierce Arrow limousine, often handing the driver a shovel to help at archaeological digs. Heye not only bought the finest an Indian reservation had to offer, but everything else from discarded footwear to old dish towels. His indiscriminate purchasing created a collection of cultural materials that spans more than 10,000 years. The objects range from 9,000 baskets to textiles from Peru and Mexico, hand-painted hides and garments from the North American Plains, and spectacular gold pieces from Colombia's Sinu, Popyan and Muisca cultures.

Since 1927, Heye's collection has been housed in a most unlikely place for a priceless collection of art: the South Bronx. In a brick and limestone warehouse, one-of-a-kind objects including Geronimo's hat, Chief Joseph's rifle case and Sitting Bull's drum are stored in locked metal cabinets and on dusty gray shelving. Fragile blackware pottery, handcrafted by matriarch pueblo potter Maria Martinez, is precariously stacked three rows deep.

"People are boggled by the sheer number of things," says Mary Jane Lenz, associate curator of the National Museum of the American Indian. "In the Plains drawers alone, there are thousands of pairs of moccasins with intricate beadwork, horsehair trim and metal danglers."

THE GEORGE GUSTAV HEYE CENTER

he first of the museum's facilities is the George Gustav Heye Center. Open since October 1994, the Heye Center is on Manhattan's Bowling Green in the Alexander Hamilton U.S. Custom House, an opulent Beaux Arts building designed by architect Cass Gilbert and completed in 1907.

Located at the southern tip of the Wiechquackeck Trail, an old Algonquin trade route, this first outpost of the National Museum of the American Indian is not far from Wall Street, named for the wall built to protect European settlers from attack by northern Indians.

The limestone and granite Custom House, designated a National Historic Landmark, joins South Street Seaport, the Statue of Liberty and Ellis Island as part of a downtown renaissance redefining lower Manhattan's role in New York City's cultural life.

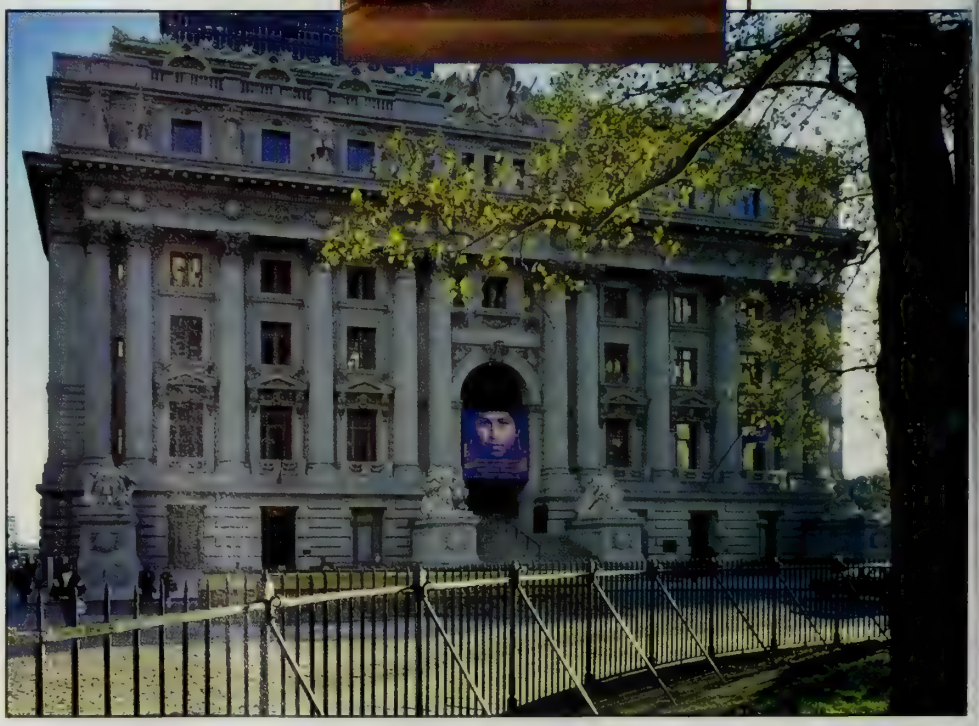
Utilizing 20,000 square feet of exhibition space on two floors, the Heye Center serves as both an exhibition and educational facility. The three inaugural exhibits at the Heye Center reaffirm the museum's commitment to empower Native voices and its mission to create a national statement of Indian cultures, values and history. Public programming includes music, theater and dance performances in a 300-seat, state-of-the-art auditorium. Native performers share their contemporary arts, helping visitors discover a great deal about the richness of the Native American past. An ongoing dialogue between visitors and Native elders and artists, aptly named "Talking Circles," helps to bridge Indian and non-Indian worlds. From a Pomo basketmaker to a Tewa-Santa Clara architect, Natives from North, South and Central America share their perspectives and viewpoints. "Some of the artists feel more comfortable sharing their knowledge and customs in a small group setting," explains Charlotte Heth, a Cherokee and assistant director for public programs. "Everyone gets an intimate experience."

PHOTOGRAPHS BY ROY GUMPEL

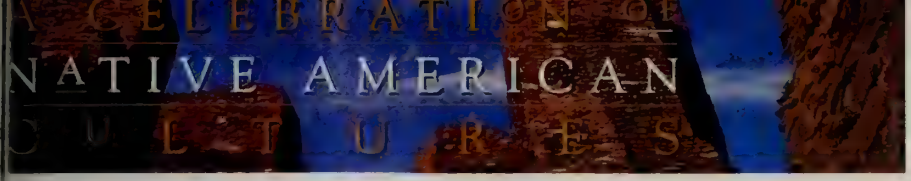
THE CULTURAL RESOURCES CENTER

Scheduled to open in 1997, the Cultural Resources Center will be located on a 110-acre site in Suitland, Maryland. This 200,000-square-foot facility will be the new home for the museum's vast collection, as well as the center for research, conservation, exhibition support and community service programs.

The Native voice will sound loud and strong at the Cultural Resource Center. The



The museum's first facility is now open in lower Manhattan. The new museum houses galleries, a resource center and spaces for public programs.



design team for the Suitland facility includes the Native American Design collaborative, an association of 20 Native American-owned architectural and engineering firms.

THE MUSEUM ON THE NATIONAL MALL IN WASHINGTON, D.C.

The 260,000-square-foot centerpiece of the National Museum of the American Indian on the Mall will feature galleries for permanent and traveling exhibitions, as well as areas for performance and educational programs. Also prominent will be a central meeting place called the Potomac, an Indian word meaning "where the goods are brought in." It will be an ideal gathering place for Indian storytelling, dance and music as well as other interactive experiences.

Architectural planning for the museum is in its final phases; conceptual drawings will be released this fall. Native Americans are involved in all aspects of planning for the museum. Under the guidance of West, the museum's director since 1990, 22 consultations have already taken place throughout the U.S. and Canada. Native communities were consulted prior to the selection of the Philadelphia-based firm of Geddes Brecher Qualls Cunningham in association with Douglas Cardinal, a Blackfoot from Ottawa, as the principal designers of the museum in Washington.

The museum will feature state-of-the-art technology in its resource center. Through touch-screen computers, CD-ROM and on-line databases, as well as a full range of more traditional materials like audio and visual tapes, researchers and visitors alike will be able to explore and learn from an extensive range of sources.

THE FOURTH MUSEUM

The outreach program is often referred to as the "Fourth Museum." Realizing that most Americans — Native and non-Native — will not get to visit Washington or New York more than once, museum planners wanted a way to make their exhibitions, programs, services and information resources more easily accessible. They found an answer in cyberspace with planned satellite hookups, two-way audio/video teleconfer-

From left, national campaign director John L. Colonghi and museum director W. Richard West Jr., Washington, D.C.

PHOTOGRAPH BY JEFF TINSLEY

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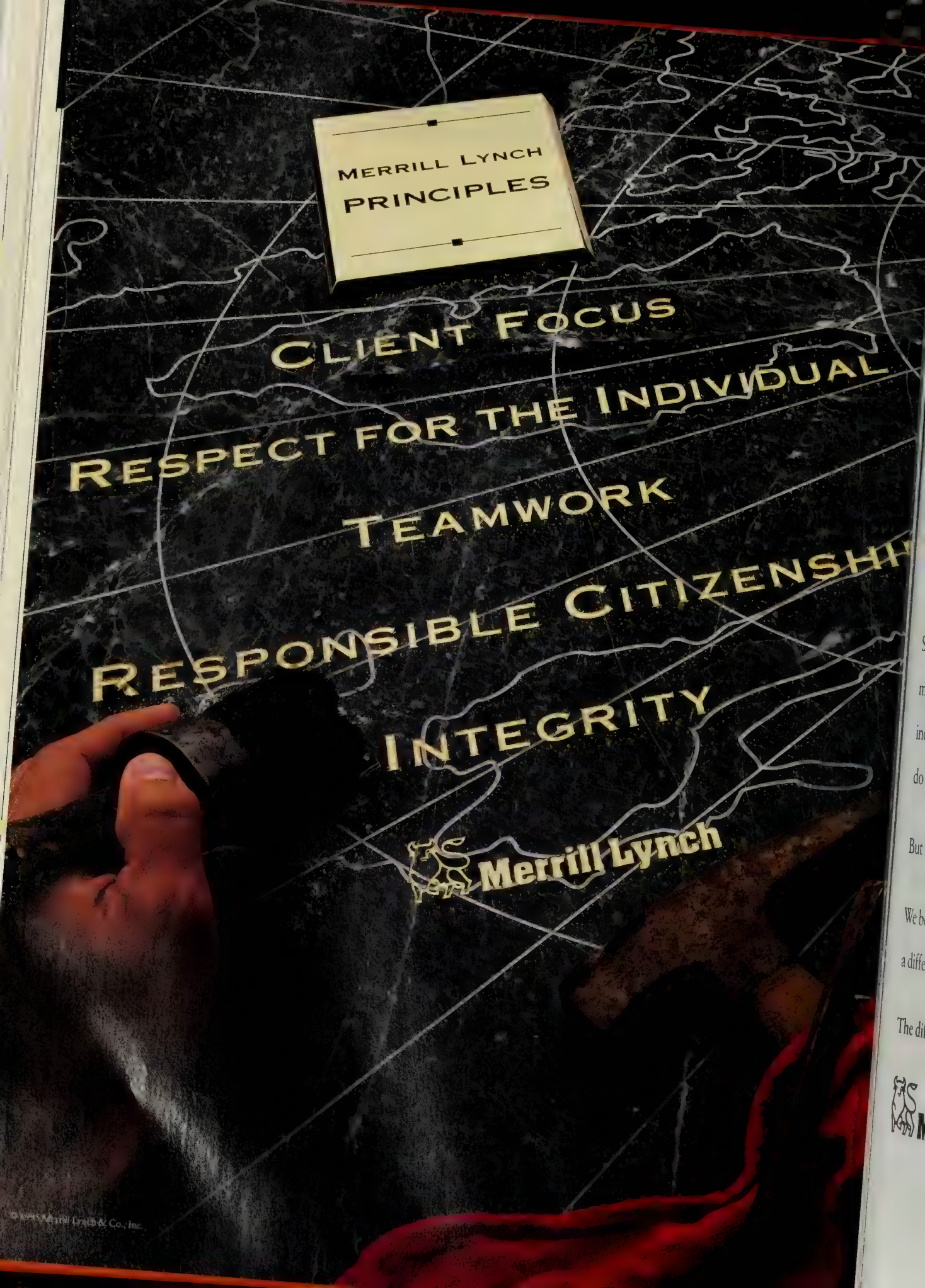
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encing, telecourses, on-line databases and other interactive media.

The fourth museum will serve the broadest range of people interested in American Natives, from tribes and elementary schools to research libraries and other museums. "It is very much my goal to create not just a new museum, but a new type of museum — one that serves more fully and directly the educational needs of our country," says West.

Researchers are creating electronic databases of text and photographs so that educational programs can be easily created. The technology will allow both up-linking and down-linking at remote sites. Electronic classrooms will be set up so that lectures and discussions can reach out across the country. Traveling exhibitions and collaborative events with Native communities will also be part of the outreach program.

Many of the resources are already available in New York at the Heye Center. In the resource room, visitors use touch-screen computers to channel their research, and touch-boxes allow visitors to examine the objects and artworks they are learning about.

THE NATIONAL FUND-RAISING PROGRAM

he museum's 36-member honorary committee includes the names of President Clinton and the four living former U.S. presidents, in addition to Paul Newman, Robert Redford, James D. Wolfensohn, Maria Tallchief and others. Chaired by Senator Campbell, its members are committed to supporting the museum's fund-raising effort.

The National Campaign, spearheaded by John L. Colonghi, an Eskimo/Aleut, has attracted major gifts from leaders of industry and finance, including Chase Manhattan Bank and Merrill Lynch & Co., Inc. The Mashantuchet Pequot Tribal Nation's $10 million donation in 1994 — at that time the largest gift in the history of the Smithsonian Institution — helped push the campaign past the halfway point of its $60 million goal.

Foundation support has also boosted the campaign. In addition to $1.2 million from the Ford Foundation and $1 million from the George Gund Foundation, major gifts have been made by the John S. and James L. Knight Foundation and the Coca-Cola Foundation.

Individual contributors range from David Rockefeller and Nancy Fields O'Connor, a Shawnee/Crow, and Carroll O'Connor, to tin cans filled with coins. At the Native American Magnet School in Buffalo, N.Y., elementary school students raised $200 through a can recycling drive, which was later matched by a local philanthropist. "Everybody is participating in this campaign," says Colonghi, noting that the campaign has received more than 200,000 individual gifts — many through a nationwide membership program.

The Smithsonian must provide the congressionally mandated $36.7 million toward the construction of the Mall museum, plus an additional $23.3 million for an endowment that will support ongoing programming and outreach activities. "I thought that creating such a museum, with facilities both in New York and Washington, would be best accomplished through a partnership between the private and public sectors. This is exactly what has happened and the results are quite impressive," says Rockefeller.

Colonghi feels fortunate to have the 29-member International Founders Council in his court, which he credits for a significant portion of the funds raised. The IFC provides high-level volunteer leadership for the campaign around the country. Chaired by the secretary of the Smithsonian Institution, I. Michael Heyman and Gene A. Keluche, a Wintun, this high-profile group includes David Rockefeller, R.E. "Ted" Turner and Barber B. Conable Jr.

Kaapor Tukaniwar (woman's feather necklace), 20th century.

Below: Redware olla by Fannie Nampeyo, c. 1915, Hano, Ariz.

THE MUSEUM DIFFERENT

Sometimes called a museum different, the National Museum of the American Indian will be the place where, finally, a dialogue between Native and non-Native worlds can begin. Native sensibilities will inspire this living museum, giving all its visitors an opportunity to understand and appreciate a vital culture and artistic heritage steeped in the bountiful past of the Native Americans. Strickland explains, "The story of the Indian is the story of America. It is not trite to say that the Indian sings the songs of our forests, of our birds, of our souls. His world is our world. He is of America. And he is America."

BECOME A CORPORATE SUPPORTER

The National Museum of the American Indian offers a number of opportunities for corporations to support this important initiative of the Smithsonian Institution.

The Museum will soon launch the Corporate Circle, a membership program that will offer significant recognition and benefits, including commemorative and special events in the Museum's George Gustav Heye Center in lower Manhattan, private museum tours and substantial discounts.

Other opportunities for corporations include gifts to the construction fund, sponsorship of exhibitions and educational programs and named endowments. Contributions may be permanently recognized in the Museum's facilities in New York City and Washington, D.C.

To learn more about becoming a Corporate Member and other ways of supporting the National Museum of the American Indian, please contact Melissa Tallent, NMAI National Campaign, George Gustav Heye Center, One Bowling Green, New York, NY, 10004, or call (212) 825-6994.

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Great family fortunes

Some of the largest fortunes in America are so divided among members of a family that no one individual can qualify for The Forbes Four Hundred. This listing of such families is extensive but not meant to be as complete as our list of the richest individuals.

Alfond
Shoes. Dexter, Me. et al. Harold, 81, son of Lynn, Mass. shoemaker, started in shoe factory at 25 cents an hour. "In 1934 we didn't know what college was, we went to work." Founded Dexter Shoe 1956 with $10,000. Joined 1958 by nephew Peter Lunder (runs day-to-day operations). Prospered. Dexter today: 7.5 million pairs of shoes annually Maine, Puerto Rico; 77 owned retail outlets. Keys: skilled labor force, good value for low price, good relations with Nordstrom, J.C. Penney, May, etc. Acquired by Berkshire Hathaway 1993. "[Warren] Buffett won't let me retire. He's the smartest man in America." Gave $1 million for Maine osteopathic medical college, plans to give $1.5 million more. BH shares recently worth over $620 million.

Andersen
Bayport, Minn. Hans Jacob Andersen arrived Portland, Me. 1870 from Denmark. First words in English, "All together boys," became company motto. With sons founded Andersen Lumber Co. 1903. Revolutionized building industry 1905 with standard-size window frame featuring interchangeable parts. Tightwad Hans signed company's first profit-sharing check hours before his death; plan impressive now, over 25% of employees' salaries 1994. Hans' son Fred big on advertising: "Only the rich can afford poor windows." Andersen Corp. biggest window seller in U.S., good year 1994 with building up; reportedly highest margins in industry. Family's share of company believed worth over $650 million.

Asplundh
Willow Grove, Pa. Brothers Griffith, Carl, Lester started trimming trees 1920s when Swedish immigrant father died. After college, formed Asplundh Tree Expert 1928, courted electric and phone companies exclusively—growth industries even during Depression. Rapid expansion. Other businesses for utility customers: telephone pole, streetlight, pipeline maintenance, etc. Founders' sons took over 1960s. Now nearly 20,000 employees in 50 states, 8 foreign countries; $900 million sales; no long-term debt. Tough training for family members: 8 years as trimmer, foreman, etc. "No one is above failure." Third generation poised for takeover. 132 family members estimated some $500 million. *(For more, see p. 56.)*

Bacardi
Puerto Rico, Miami et al. Wine merchant Don Facundo Bacardi (b. 1816) immigrated to Cuba 1830. Distilled "civilized rum," founded Bacardi 1862, built into world's most popular liquor brand. Don Facundo's son Emilio pivotal figure in Cuban independence; family also credited with invention of daiquiri. Company mixed rum with vermouth 1992 by buying majority stake in Martini & Rossi for $1.4 billion. Profits recently estimated $250 million. Integrated corporate structure: Bacardi Corp. of Puerto Rico sells to Bacardi Corp. of Miami; royalties go to Bacardi & Co. Ltd. Bahamas. Strife in family: weaker shareholders demand voice in company decisions, more info. Divided among about 500 family members, holdings estimated $1.5 billion.

Barbey
California et al. Heirs of John Barbey, who cofounded, with 5 others, Reading Glove & Mitten Manufacturing Co. 1899. Bought out partners 1911; changed name to Schuylkill Silk Mills. First product: silk gloves. Began selling brand-name lingerie as Vanity Fair 1917. First to use live models wearing only underwear. Son J.E. designed lingerie: "He just loved beautiful things." Moved beyond white and pink: introduced leopard and mermaid prints. Died 1956; left stock in trust, handpicked outside management. Company became VF Corp. 1970. Diversified: owns Lee, Wrangler, Jantzen, etc. Family's stock still in trust. Family holdings recently worth $640 million.

Bean (Gorman)
Freeport, Me. Descendants of Leon Leonwood Bean (1872-1967), sportsman, founder L.L. Bean, Inc. Tired of soggy, cold feet: attached rubber soles to leather boots, became famous "duck boot." After 90 of first 100 pairs returned defective, introduced Bean money-back guarantee; still in effect. Invented junk mail: first-ever direct-mail campaign to Maine's first hunting licensees 1919; sales exceeded $1 million 1937. "That wasn't bad for a boy who never got through the eighth grade." Sales 1994: $975 million. Grandson Leon Gorman, 60, has widened advertising, expanded women's line; guards quality, service. Now selling to preppy Japanese. Low-profile family's company estimated over $550 million.

Belfer
NYC. Heirs of oilman Arthur B. Belfer. To U.S. from Poland WWII. Stopped making sleeping bags for Army 1952: discovered oil and gas. Went public 1959 as Belco Petroleum Corp. Created large resource base in Peru, also domestic natural gas. After oil venture in Israel flopped, added U.S. coal mining 1969. Friendly takeover by InterNorth 1983, company renamed Enron 1986. Motto: "If the price is right, we sell." Peru operations nationalized same year; Belco's output chopped in half. Arthur died 1993. Son Robert, 59, Harvard Law grad, Enron director, tennis fanatic; also 2 daughters; 9 grandchildren, 14 great-grandchildren. Family shares Enron stock, real estate estimated at $525 million.

Blaustein
Baltimore. Inheritance. Heirs of Lithuanian-born Louis Blaustein (1869-1937), delivered kerosene door-to-door; invented predecessor of RR tank car. Only son Jacob (d. 1970) invented metered gasoline pump, antiknock gas, drive-in stations. Founded Amoco 1910; merged with Standard Oil of Indiana 1954. Part-time diplomat: convinced U.N. conferees to accept human rights provisions 1945. His son Jacob inherited 50%; daughters Fanny Thalheimer (d. 1957), Ruth Rosenberg (d. 1992) 25% each. Family still owns 16.6 million shares Amoco. Private American Trading & Production Corp. in manufacturing (office supplies, security systems), real estate, oil and gas. Family estimated $1.3 billion.

Block
Media. Descendants of German-born Paul Block (b. 1875), rag merchant's son who founded NYC ad agency, built newspaper chain with financing from pal William Randolph Hearst. Crash 1929 forced selloff but held on to Toledo Blade. Bought Pittsburgh Post-Gazette from Hearst 1937; bought, closed E.W. Scripps' competing News-Bee 1938. Died suddenly 1941. Sons Bill, Paul Jr. took over. Paul Jr. moved to Toledo, ran Blade; Bill to Pittsburgh and Post-Gazette. Third generation: Bill Jr. in Pittsburgh; John and Allan, twin sons of Paul (d. 1987), Toledo. Bought, folded Scripps-Howard's Pittsburgh Press after 1992 strike. Also broadcast, cable. Branches equally share media empire estimated around $600 million.

Breed
Airbags. South Padre Island, Tex. Allen: 68, thrice divorced, remarried; 6 children. Son of Chicago doctor. Engineering whiz Northwestern (1959). Became expert on triggers; started company on military contracts. Better visionary than administrator; applied trigger technology to airbags. Met wife and business partner, Johnnie Cordell Breed, at Pritikin Longevity Center, 1984, after heart attack. Married 1987. Johnnie: 51, built own multimillion-dollar travel company. Brought cash, organization, key loan guarantee. Reined in expenses. Boomed on safety laws: two-thirds of U.S. market. Allen: chairman, CEO; Johnnie: president, COO. Their Breed Technology shares, etc., recently $430 million.

Brittingham
Mexico, Dallas. Brothers Jack, Robert filled ceramic tile niche in post-WWII building boom. Dallas HQ, but made with cheap Mexican labor. Started 1944; built Dal-Tile to one of largest U.S. ceramic tile makers. Jack, a.k.a. Juan, commuted Dallas-Mexico; former chairman Robert ran Dal-Tile U.S. Sold 1990 to AEA Investors for $640 million pretax. Robert fined $4 million 1993 for dumping lead sludge; court mandated community service, 5 years' probation. Avid hunter Africa, Mexico; son Bobby in Dallas real estate, etc., as Rosebriar Holdings Corp. Sold land to AMC Theaters for largest U.S. cinema—some 20 screens—at family's Stemmons Crossroads development (Dallas). Estimated over $500 million.

Brown
Brown-Forman Corp. Louisville, Ky. Young pharmaceuticals salesman George Garvin Brown created first sealed glass bottles (barrels then customary) for whiskey 1870. With $5,500 started company with half-brother. Family adapts well to times. Prohibition: government license to bottle whiskey for medicinal purposes. WWII: converted whiskey plant to manufacture industrial alcohol. In 1956 acquired Jack Daniel Distillery, makers of classic Tennessee sippin' whiskey. Started wine division 1991. Brands also include Southern Comfort, Fetzer wines, Lenox, Dansk, Crouch & Fitzgerald. Fourth generation Owsley Brown II, CEO, Chairman. Nephew W.L. Lyons Brown III, VP. Family's holdings worth $1.3 billion or more.

Busch
St. Louis. Bavarian immigrant Adolphus Busch married Lilly Anheuser 1861; quit brewery supply, joined father-in-law's brewery 1864. Grandson August Jr. (d. 1989) president 1946, steered company into modern marketing era with St. Louis (baseball) Cardinals, inspired brand advertising: made Budweiser "King of Beers." ("Bud Bowl" now a Super Bowl fixture.) August III, 58, at helm. Fierce competitor; added food products, even microbrew brand. "He's got to win by a big score, not just win." Increased domestic market share from 23% to 45%. Expanding internationally; now, Buds in pubs (U.K.). Fifth-generation August IV, 31, VP brand management. Family's holdings recently $1.3 billion.

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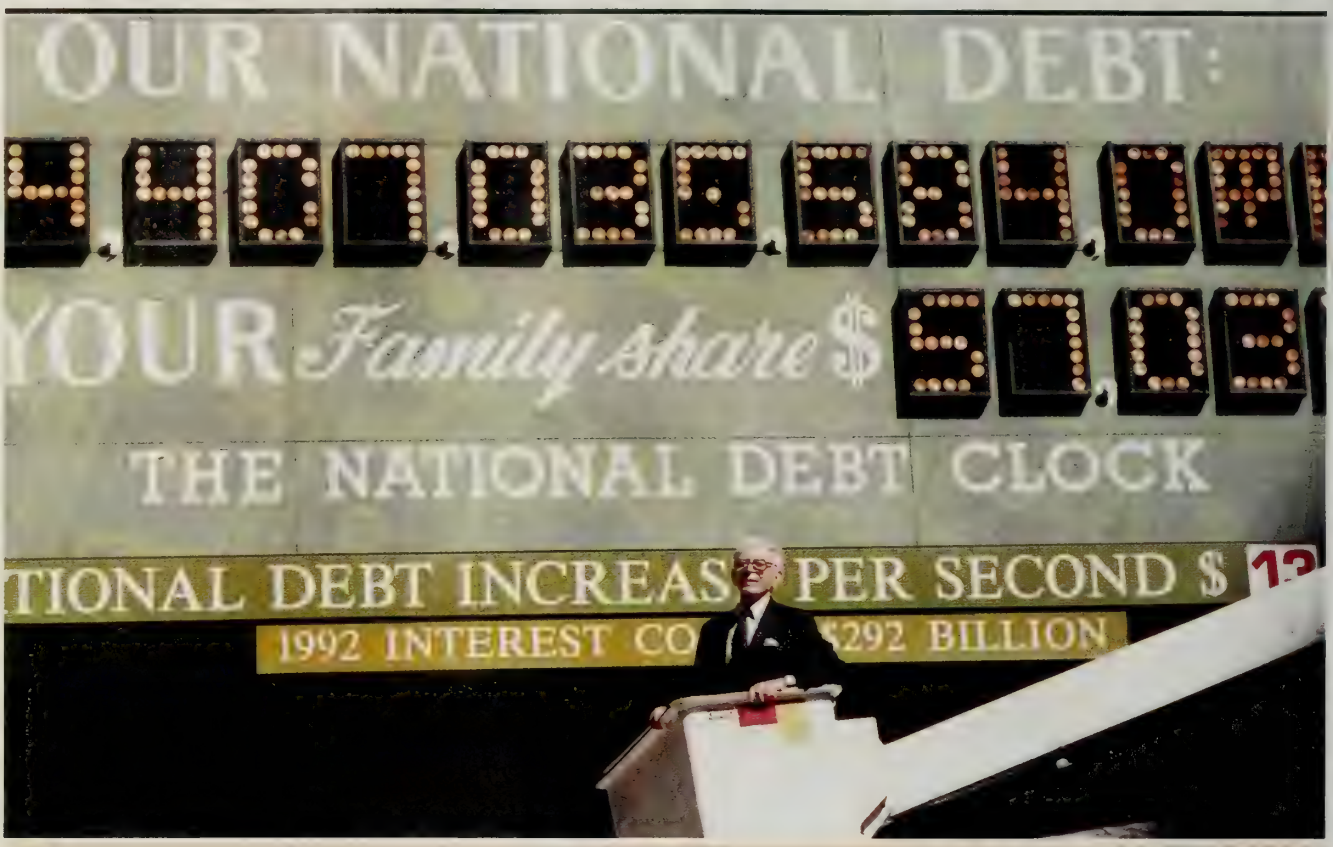

Seymour Durst and his national debt clock in midtown Manhattan
Even after his death in May, his billboard goes on and on; but then, so does the federal deficit.

Campbell
Hawaii. Patriarch James Campbell left Ireland a 13-year-old stowaway on NYC-bound ship 1839. Kept going: 1850 sailed for Hawaii, survived shipwreck, cannibal attack. Profits from sugar-growing business paid for land on Oahu, Maui, Hawaii; turned 41,000 arid Oahu acres into fertile sugar plantation by drilling artesian well. Called "Kimo-Ona Milliona," died 1900. Estate now 72,000 acres on 3 islands: much conservation, agro land; some commercial development—30,000 Oahu acres becoming city of Kapolei. Also, 9 million square feet stateside (shopping malls; office, industrial). Kimo-Ona's last surviving daughter died 1987. Trust dissolves 2007. Real estate estimated over $850 million, plus large investment portfolio.

Carter
Direct selling. Dallas area. Sisters-in-law Mary Crowley (d. 1986), Mary Kay (cosmetics) both founded direct-selling companies. Crowley started Home Interiors & Gifts on savings, $6,000 loan 1957: home decorations (gilt wall sconces, butterfly plaques, etc.). Today over 500 products, 50,000 "displayers" organize parties to sell in homes. Sales by distributors $850 million. Son Donald's financial acumen helped build on mother's legacy. Donald, 62, owns 30% (rest of family, key employees 23%), also piece of Dallas (basketball) Mavericks. Drives red pickup. Donald rejected proposed $1 billion LBO (7.5 times cash flow) 1994: "They don't necessarily think bigger is better." Also real estate. Estimated $640 million.

Chandler
LA et al. Times Mirror Co. Heirs of Harry Chandler, rose from clerk to chairman Los Angeles Times; married daughter of owner Harrison Gray Otis 1894; built media empire; died 1944. Son Norman won readers favoring news over ads in WWII newsprint shortage. Conservative: "We only gave management's side in labor disputes." Grandson Otis took over 1960; moved toward center. Diversified: book publishing, broadcast, cable. Cable sold to Cox Communications for $2.3 billion February. Sold 4 TV stations 1993. Publishes Baltimore Sun, Hartford Courant, etc. Hit by wavering LA, NYC economies: Cutting LA staff; shut (N.Y.) Newsday July. Over 100 family members share trust worth over $1.6 billion.

Clapp
Seattle. Matthew G. Norton, brother James started lumber company late 1800s with cousin William Laird—Laird Norton Co. Helped Frederick Weyerhaeuser start Weyerhaeuser Co. Physician Eben Clapp married daughters of Matthew and James in turn. Son Norton principal heir, d. April at 89, largest Weyerhaeuser shareholder, president 1960-66, chairman to retirement 1976. Laird Norton's Lanoga Corp. in lumber, building supplies Pacific Northwest, Midwest, Alaska, estimated 1994 rev-

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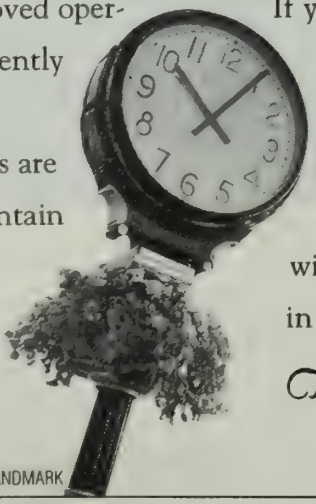

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TEXAS INSTRUMENTS

enues $700 million. Also Washington State real estate. Norton married widow of one of sons (of 6 children, 3 deceased). Over 100 heirs share family fortune, including Laird Norton Trust, estimated over $1.2 billion.

Clark
Cooperstown, N.Y. Descended from Edward Clark (1811-82), who helped Isaac Singer sell sewing machines 1850s; got 40% Singer Manufacturing Co. Son Alfred (d. 1896) inherited, passed estate to his 4 sons: Edward; racehorse owner F. Ambrose; art collectors Stephen, Robert. These 4 put hometown on map with dubious claim: baseball invented in Cooperstown. Story caught on, Baseball Hall of Fame opened there 1939. Museums followed, as did hotel, hospital, golf course. Fifth generation: Anne Labouisse Peretz, 56, co-owner New Republic magazine; also Jane Forbes Clark, 40, who chairs Clark Foundation, Clark Estates Inc., NYC. Market not hurting family trusts, fortune believed over $550 million.

Close
Fort Mill, S.C. Colonel Leroy Springs founded Lancaster Cotton Mill 1895, took over Fort Mill Mfg. Co. Son Elliot White Springs, fifth-ranking ace pilot WWI, writer 1920s, returned to family textile business at father's request 1931. Survived Depression. Used WWII textile profits to expand to New York; died 1959. Son-in-law Hugh W. Close followed, d. 1983. Springs Industries now major manufacturer home furnishings: sheets, comforters, draperies, etc. Elliot's granddaughter Crandall Close Bowles, 47, director Springs Co., investment company for family interests in real estate, insurance, railroad. Close family controls about 70% of voting stock; estimated $480 million.

Collier
Real estate, inheritance. Naples, Fla. et al. Descendants of Barron Gift Collier (d. 1939), pioneered streetcar advertising, used $5 million annual income to buy southwest Florida land starting 1911: 1 million acres by 1930; renamed Collier County. Heirs disagreed on strategy, split empire with coin toss 1980. One branch: Collier Enterprises, led by Miles Collier, 48. Other: Barron Collier Co., 3 principal heirs. Combined holdings: 144,000 acres farmland, 20,000 citrus, 100,000 ranchland; 10,000 other in Naples area. Families have additional acreage elsewhere. Doing some residential and commercial development. Combined estimated net worth: $1.3 billion.

Coors
Coors beer. Golden, Colo. Descendants of German immigrant Adolph Coors, stowaway on Baltimore-bound sailing ship; founded small beer company 1873. Company survived Prohibition making malted milk, ceramics, near beer. Has 10% of domestic market. Founder's great-grandsons run businesses. Once-controversial image (antigay, -black, etc.), today almost p.c. Peter, 49, grew up fourth-generation Coors, worked summer vacations at brewery; runs it. Joseph Jr., 53, and Jeffrey, 50, both fourth generation, run ACX Technologies: industrial ceramics, aluminum, packaging, real estate. "If the three of us were over there, we'd be all over each other." Recently worth over $770 million.

Cowles
Media. Minneapolis, NYC et al. Descendants of Gardner Cowles Sr. (d. 1946), who put $110,000 into ailing Des Moines Register 1903, then added evening Tribune. Created monopoly. Son John Sr. (d. 1983) pulled same trick Minneapolis, 1935. Gardner Jr. (d. 1985) founded Look magazine; sold Family Circle, etc. to New York Times for 23% of NYT stock 1971. Third generation blew profits; sold Cowles Broadcasting to Oveta Culp Hobby *(which see)* 1984, flagship Register to Gannett for $200 million 1985. John (Jay) III, 41, chairs thinly traded Cowles Media: "We still have plenty to do." Approximately 70 heirs share over 59% Cowles Media, also New York Times, Affiliated Publications stock; estimated $530 million.

Cullen
Scions of Hugh Roy Cullen (d. 1957), grade school dropout, legendary wildcatter. Hit big drilling deeper in played-out fields. Used "creekology," reading bends of creeks, rivers for oil. Hit famed Tom O'Connor *(see family)* field early 1930s. "Father of U. of Houston": family has given $100 million. Quintana Petroleum runs wells for family, Exxon. Quintana executive committee includes 1 daughter, 2 grandsons, granddaughter's husband. Grandson Enrico di Portanova, born to daughter (now deceased) and Italian playboy, long ago renounced U.S. citizenship; sued for more income, lost to Joe Jamail *(which see)* 1984. Quintana gas production way up, oil not. U.S. Cullens estimated over $500 million.

Damon
Hawaii. Heirs of Samuel Mills Damon (d. 1924), early partner First Hawaiian Bank, wrote will 1914. Family members await dissolution at deaths of oldest generation of carefully managed estate: includes First Hawaiian shares, 4,000 acres walnut groves near Sacramento, commercial property San Francisco area, 235 acres commercial/industrial warehouse real estate near Honolulu (over 115,000 acres total on Big Island, but 14,000 acres low-value cattle ranch, 100,000 acres no-value, high-altitude volcanic rock). Also much of Maunalua Valley on Oahu—park and wilderness reserve. Trust value said to increase about 12% annually in recent years. Estimated some $700 million.

Davidson
Software. Torrance, Calif. Janice Davidson wrote speed-reading program, was stood up by software publisher at lunch 1982. Husband Robert, construction exec, persuaded her to publish herself. Raided $6,000 from her 3 kids' college fund. Davidson & Associates' Speed Reader quick hit: 5,400 copies first year, netted $270,000. More programs; by 1986 sales $4 million. Bob finally became CEO 1989; saw consolidation coming to educational software: "We wanted to avoid being the consolidatee." Built distribu-

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AP/Wide World

TOP:
Telemachus and Irene Demoulas
BOTTOM:
Family of George Demoulas
The company and personal assets were frozen and under audit so the court could determine the wages of betrayal and sin.

tion, bought competitors. Sales now $87 million. Pair now 51: "We worried about wiping out the kids' savings. Now we've made them rich. I don't know which is worse." Family shares recently $670 million.

Davis
Winn-Dixie Stores. Jacksonville, Fla. et al. Descendants of William Milton Davis, founder Winn-Dixie grocery stores. Owner of Idaho general store moved to Lemon City, Fla., started grocery 1925 with $10,000. Named Winn-Dixie 1955. Four sons built company to largest grocery chain in South. Has more than 1,170 stores in 14 states. Artemus Darius (A.D.) retired as vice chairman 1982, died in June. Son Robert, 64, retired as chairman 1988; "I'm just stepping down to give myself a little more elbow room." Now heads DDI, family holding company. Robert's cousin, A. Dano, current chairman Winn-Dixie. With shares, insurance holdings, other interests, family worth at least $1.9 billion.

Dayton
Minneapolis. Heirs to George Draper Dayton. Founded Dayton's department store 1902. Son George Nelson Dayton ran 1938-50. George's 5 sons all joined business by 1950. Bred to work well together. And hard: "The only thing worse than a bum is a rich bum." Since 1946, 5% of profits to charity. Added low-margin discount stores 1962; created book retailer B. Dalton (sold 1986). Went public 1967. Merged with J.L. Hudson Co. 1969. No family member active since 1983. Founder's great-grandson Mark Dayton ran unsuccessfully for Senate 1982, was state auditor: ". . . retailing didn't excite me." His father, Bruce Dayton, art collector, most of collection promised to a Minneapolis art museum. Family believed over $975 million.

Demoulas
Supermarkets. Boston area. Greek-American patriarch Arthur Demoulas, wife opened small grocery 1917. Sons George and Telemachus took over, 50-50, 1954. Today, 56 Demoulas/Market Basket stores Mass., New Hampshire; sales $1.4 billion. Also real estate. Agreement that if one brother died, survivor would care for his family. George died, heart attack 1971; Telemachus removed George's widow from board 1978; quietly transferred all but 8% of stock to himself. George's heirs (4 children) alarmed 1989 by tax notice, sued 1990, charged fraud, bribery, etc. Verdict 1994: Telemachus liable for fraud, breach of trust. Inevitable appeal, but must repay. Tattered family estimated at least $675 million.

Dillon
Far Hills, N.J. Patriarch Clarence Dillon (d. 1979), Harvard 1905, joined William A. Read & Co. 1914, worked way to top of company (renamed Dillon, Read) by 1919. Firm became Wall Street power; locked horns with J.P. Morgan. Wrote personal check for $146 million to buy Dodge Brothers Auto Co. Son C. Douglas became statesman: Eisenhower's ambassador to France; Treasury Secre-

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tary for JFK, LBJ; former chair Metropolitan Museum, NYC. Dillon, Read sold to Bechtel *(which see)* 1981. Also real estate: large pieces choice N.J. land; two world-class Bordeaux vineyards (including Haut-Brion) run by Doug's daughter Joan (Duchesse de Mouchy). Wealth largely in 41 trusts, at least $650 million.

Donnelley

Origin: Chicago. Dispersed heirs of Richard R. Donnelley, Canadian saddlemaker's apprentice. Started own print shop, Chicago 1864. Destroyed by Great Fire of 1871; rebuilt by family into R.R. Donnelley & Sons. Son Reuben (d. 1929) formed own publishing company; produced Yellow Pages; sold to Dun & Bradstreet 1961 for $80 million. Meantime, grandson Gaylord (d. 1992) took over main family business 1964. Company known for "The Good Book" and "The Big Book," i.e., the Bible and the Sears catalog. Still prints more Bibles than anyone;. Sears dropped catalog. Also Time, Business Week, The New Yorker, TV Guide, etc. Family's 18% R.R. Donnelley, etc., recently worth $1.4 billion.

du Pont (Pierre Samuel II)

Wilmington, Del. Descendants of Pierre Samuel du Pont de Nemours (1739-1817), French Physiocrat who fled Revolutionary Terror for America 1800. *(See also individual du Ponts, Sharp.)* Son Eleuthère Irénée, chemist's apprentice, founded gunpowder factory on Brandywine Creek 1802. Company, family prospered, dominated Powder Trust late 1800s. After family battle for control 1915, Pierre S. du Pont II emerged as leader, with 2 cousins. WWI munitions contracts produced bonanza, massive growth, also despised sobriquet "Merchants of Death." Founded Christiana Securities as family holding company for Du Pont (under antitrust pressure, merged into Du Pont 1977). Rescued nascent General Motors 1920s, took about one-third. Also Hercules Powder Co., U.S. Rubber (later Uniroyal), etc. Bought out cousins in further struggles. Childless, Pierre divided bulk of fortune among 6 siblings, some associates before death 1958. His branch built Wilmington Trust Co.; dissident branches, Delaware Trust Co. Numerous descendants of Pierre Samuel II siblings still control over 15% Du Pont, etc. Family member: "The thing about the du Ponts is that some are very, very rich, and others are just plain old rich." This branch estimated worth $10 billion or more.

Durst

Real estate. NYC, Martha's Vineyard et al. Descendants of Joseph Durst (d. 1974), Austrian immigrant 1902, who began Durst Organization 1915 to oversee handful of NYC buildings. Sons Seymour (d. 1995), David, Royal (d. 1993): Seymour bought midtown office property 1940s; pioneered Third Ave. development. Heeded Dad's advice: "Never buy farther than you can walk." Eventually 5 million square feet midtown office space. Quirky passion: set up the National Debt Clock near Times Square. Next generation now manages: Seymour's sons Douglas, Robert; David's sons Jonathan, Joshua. Received $20 million in Times Square redevelopment suit. Family fortune estimated $650 million.

Flagler

Palm beach, Fla.; Chapel Hill, N.C.; Philadelphia, Richmond, Va. et al. Henry Morrison Flagler, partner-treasurer Rockefellers' Standard Oil Co., conceived Standard Oil Trust. Built hotels (The Breakers, Palm Beach); Florida East Coast Railway; West Palm Beach. Left most to Mary Lily Kenan, third wife. She married Robert Worth Bingham, died suspiciously; Bingham built Louisville, Ky. newspaper empire with $5 million she willed him. Today 4 main heirs: Frank Kenan, 83; brother James, 84; Lawrence Lewis, 77; Mary Lily Lewis Wiley, 75. Inherited real estate, oil stock. Frank active N.C. business, real estate; James, retired Atlanta lawyer. Children run Flagler Co. Estimated total: $500 million.

Goldman

NYC area. Inheritance. Widow Lillian, 4 children of Sol Goldman, billionaire NYC real estate mogul, d. 1987. First moved into big leagues with Chrysler Building purchase 1960. Known for squeezing "every nickel out of every building." Lillian filed for divorce 1983; "reconciliation" won 30% of Sol's estate of nearly 700 parcels. Later sued to void deal, claiming conspiracy; lost 1987. Trust was created on Sol's death. Ugly intrafamily battle with children. Lillian sued again; won 1991. Family's energy now focused on IRS, trying to knock down big estate tax bill. Most properties are listed in name of son Allan, his Solil Management Co. Mom, kids share fortune estimated over $600 million, before estate taxes.

Gore

Gore-Tex. Newark, Del. Wilbert L. Gore (d. 1986), Du Pont employee, worked on Teflon 1957. Du Pont uninterested in selling finished Teflon goods; Wilbert, wife Vieve started own business 1958 in basement. First insulated cable; then Gore-Tex, durable membrane later used in space suits. Son Bob took reins 1986. Company best known for sportswear, raincoats, etc., but also medical (surgical patches; artificial veins, arteries), telecommunications (cables), industrial (filters). Good margins. Sales $960 million 1994, up more than 15%. "Associates"—employees—get stock. Motto: "To make money and have fun." Not related to Vice President Gore. Family stake believed worth over $800 million.

Gottwald

Ethyl Corp. Richmond, Va. et al. Floyd Gottwald (d. 1982) joined Albemarle Paper Mfg. 1918 as office clerk; president 1941. In 1962 acquired Eythl Corp., stunned Wall Street. Sold paper business 1968, profitably expanded Ethyl into plastics and metals. Sons Floyd Jr., Bruce diversified into chemicals for computer chips, insurance, pharmaceuticals, etc. Spun off plastics, aluminum, energy 1989 into Tredegar Industries. Focus now: petroleum additives. IPO 1992, 1993 asset sale to pay down Ethyl debt. Added Amoco's lubricant additives 1992. Built $70 million research center 1994. Their sons also in business.

"They treat the company like it's their own, and it is." Holdings recently worth $770 million.

Graham
Washington, D.C. Eugene Meyer bought Washington Post at bankruptcy auction 1933. Daughter Katharine married young rising-star lawyer Phil Graham 1940. Katharine worked in circulation while Phil to Pacific in World War II. Phil Graham made publisher, editor-in-chief Post 1947; received voting control 1948. Rebuilt Post to profitability, committed suicide 1963. Widowed Kay took over: Pentagon Papers 1971, Watergate 1972-74. Published Unabomber manifesto in September. Son Donald, 50, publisher 1979; chief executive officer 1991; chairman 1993. Holdings: Newsweek, 6 television stations, cable. Kay, 78, one of Washington's most revered grande dames, still chairs Post executive committee. Family's Post shares, etc., recently worth over $675 million.

Gund
Cleveland origin. Six children of George Gund Jr. (d. 1966). Harvard Business School grad sold family brewery during Prohibition, bought decaffeinated coffee firm 1919. Sold to Kellogg 1927; now Sanka at General Foods. Then, real estate, banking; president Cleveland Trust 1941. Son Gordon: "We didn't know the extent of our wealth until our father's death." George III, Gordon own Cleveland (basketball) Cavaliers. Paid $14 million 1994 for rights to name city's new arena: Gund Arena. George, SF financier, has majority San Jose (hockey) Sharks. Graham, Boston architect. Agnes, president NYC Museum of Modern Art. Four sons, 2 daughters worth estimated $1.9 billion Kellogg stock, etc.

Haebler
International Flavors & Fragrances. Descendants of American-born William T. Haebler (d. 1956), founded IFF 1929 with Dutch emigré A.L. van Ameringen. Leading maker flavors, fragrances for perfumes, soaps, household products, food and beverages. Company won't disclose clients, but perfumes reportedly include Calvin Klein's Eternity, Liz Taylor's Black Pearls, Yves St. Laurent's Champagne. Spends heavily on R&D. His 3 daughters main heirs. Polly: Milwaukee. Married to William Van Dyke III, Smith Barney executive; 3 daughters. Ellen: Darien, Conn.; Key Largo in winter. Married to Phillip Skove. Ann: died 1988, left shares to 2 sons. Combined shares recently $930 million.

Hillenbrand
Batesville, Ind. et al. Descendants of John Hillenbrand, son of German immigrant. John founded lumber company 1884, sold early 1900s. Then began specializing in casket-making; pioneered tight-seal mechanism. First to mass-market airtight, watertight caskets 1940. Integrated backwards: created Hill-Rom, 1928: manufacturer of hospital beds; first to produce electrically

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operated models. Two-year antitrust probe of Hill-Rom by Justice Department concluded recently without any charge. Also, Forethought Group offers life insurance for prearranged funerals. Daniel A., 72, chairman; W. August, 55, nephew, CEO. Family's 60% recently worth $1.2 billion.

Hixon
Pasadena. Joseph Hixon secured family fortune with major investment in AMP stock; increased holdings to 45% by 1959. Company world leader in manufacturing of electrical connectors vital for computers, appliances; custom designs production machines to fit customers' assembly lines. Current Hixon generation merged family holding company, Midland Investment, into AMP 1981. Joseph's son Frederick (d. 1978) moved to San Antonio, invested in ranches, oil; venture capital. Another son, Alexander, 80, AMP director to 1987; Joseph III, director since 1988, chairman of Hixon Properties, San Antonio. If all family shares of AMP still held by 70 or more Hixons, would be worth $1.2 billion.

Horvitz
Cleveland area, Fort Lauderdale. Heirs of Samuel A. Horvitz (d. 1956), self-made media, real estate mogul who hawked newspapers at age 8 to support family. Started building roads 1916. Acquired bankrupt 5,000 acres in Florida, 2 Ohio newspapers. Built them up. Left in trust for 3 sons, who split operations: papers to Harry, construction to Leonard, real estate to William. Expanded; developed real estate; added 3 newspapers, cable TV. But battles among brothers raged; after mother's death 1977, fistfights, lawsuits. Exasperated probate judge liquidated trust 1987; split 3 ways. Leonard says fighting long over. Harry died at 71, cancer, 1992. Leonard now 72, William 69. Family estimated over $1 billion.

Houghton
Corning, N.Y. Descendants of Amory Houghton, founder Corning Glass Works 1851. Produced first glass bulbs for Thomas Edison 1879. Family company also later pioneered: Pyrex (1915), silicone (late 1930s), fiberglass (1939), TV picture tube (1947), optical fibers (late 1960s). Supplier of fiber optics, to cable manufacturers in Russia as well as U.S. Now fifth-generation running company. James (Jamie) Houghton, 59, chairman and CEO. Began total quality management system, restructured company. Brother Amory (Amo) Jr., 69, left company 1986 to serve in Congress (R–N.Y.). Family shares, held directly or through Market Street Trust Co., recently worth $530 million.

Huber
Rumson, N.J. Progeny of Joseph Maria Huber (d. 1932), German immigrant inkmaker; founded J.M. Huber Corp. 1883. Son Hans followed. Company expanded dramatically under grandson Michael's 42-year reign, 1951-93: oil and gas, industrial chemicals, clay, carbon black, contract electronic manufacturing (AVEX Electronics). Still some ink. Revenues (1994) $1.3 billion; makes ingredients for everything from tires to toothpaste. Global player: plants in Europe, Pacific Rim, India. Shedding other subsidiaries, reorganizing to 5 divisions in 1995, including polymer, printing ink, engineered carbon. Peter Francis now chairman, CEO. Secretive heirs' company estimated above $500 million.

Hughes
Legacy of reclusive tycoon Howard Hughes Jr. Father patented oil well drill bit 1909; Howard inherited age 18. Daredevil who set flight records, created Hughes Aircraft, owned TWA, discovered Jane Russell. Turned eccentric, secretive. Died 1976 with no will, no immediate family. Most went to Howard Hughes Medical Institute. Cousin William Lummis, attorney who had not seen Hughes in 40 years, took over rest, estimated at $168 million. Search for heirs amid outrageous claims. Built Summa Corp. to Las Vegas real estate power: 22,500-acre Summerlin, one of largest planned communities in U.S. Collection of cousins, distant relations share fortune estimated at more than $1 billion.

Idema
Steelcase. Grand Rapids, Mich. Sheet-metal worker Peter Wege (d. 1947) invented fireproof metal office furniture, launched firm 1912. Big hit: first metal wastebasket. Did well 1920s, got through Depression. Patented suspension cabinet 1934. Henry Idema (d. 1951) invested in Steelcase early. Son Walter (d. 1979) set up financial controls; daughter Mary married Robert Pew, currently chairman, 72. Founder's son, Peter Wege, vice chairman. Idema descendants' Steelcase shares estimated 70%. Leader U.S. office furniture; this year world sales estimated $2.5 billion, back in black on $78 million net profits after first loss ever, fiscal 1994. Idema stake estimated worth over $1 billion.

Jenkins
Publix Super Markets. Lakeland, Fla. George Washington Jenkins hitched from Georgia 1925 to seek fortune in Florida real estate. Instead, cleaned toilets in Piggly Wiggly grocery; became manager 8 weeks later. Snubbed by new owner, opened store next door 1930 named Publix, after movie chain. "Do what you do better than everyone else. We win on execution." Offered a few Florida firsts: shopping music, air-conditioning, automatic doors, self-serve meats. By 1950, 21 stores; today about 500, still mostly Florida. Class-action sex discrimination suit 1995. George, 88, bagged groceries every new store opening until 1989 stroke. Son Howard, 44, CEO, chairman. Relatives on board. Family shares worth over $1 billion.

Johnson
Princeton, N.J. et al. Descendants of John Seward Johnson (d. 1983), heir to Johnson & Johnson fortune. Most of estate went to third wife and former chambermaid, Barbara Piasecka Johnson *(which see)*. Long, bitter court battle with 6 grown children, who had own trusts, settled 1986. Mary Lea Johnson Richards (d. 1990), oldest

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daughter, produced Broadway hits (22 Tonys), films *(The Shining)* with husband Martin, own production company. Half of $100 million estate to husband, half to children, grandchildren. Son J. Seward Johnson Jr.: Princeton, N.J. 65. Sculptor, director of Harbor Branch Oceanographic Institute. Led lawsuit. With 4 other Seward children, combined fortunes estimated around $1.6 billion.

Jordan

Retailing, publishing. With $1.25 as capital, 14-year-old Eben Jordan (d. 1895) left Danville, Me. 1836 for Boston to seek fortune. Farmhand, errand boy; at 29, founded Jordan Marsh 1851 with partner Ben Marsh. Eventually sold to Allied Stores. Greatest investment: funding Charles H. Taylor's *(see Taylor family)* successful effort to revive Boston Globe. Family trust (terminates January) owned large block of parent Affiliated Publications, acquired by N.Y. Times 1993. Also early investor with significant holdings in McCaw Cellular, acquired by AT&T. Prominent family member: Dorothy (Mrs. Randolph A. Kidder), 2 children. Known holdings recently worth over $935 million.

Kleberg

King Ranch. Descendants of Richard King (1824-85), Rio Grande steamboat captain, bought Spanish land grants south Texas 1850s. Over 700,000 acres to daughter and husband, Robert Kleberg. Big oilfields developed with Exxon have dwindled to a trickle. King Ranch 825,000 acres; also 12,000 acres Florida sugarcane. Cattle ranches overseas sold except 50,000 acres Brazil. Oil and gas exploration in Texas, Louisiana coast, Gulf with partners; acquired 15,000 acres Florida orange groves from Coca-Cola; power generation plant in Guatemala with Enron Corp. Bought out heir Belton Kleberg Johnson. Stephen Kleberg runs agricultural operations. Family estimated over $750 million.

Kohler

Kohler, Wis. origin. John M. Kohler bought iron foundry 1873; enameled a hog scalder/cattle watering trough, put legs on it, sold as bathtub to local farmer for 1 cow, 14 chickens. Expanded to other bathroom fixtures. Son Walter pioneered color-coordinated fixtures 1920s; Wisconsin governor 1929-31. Grandson Walter Jr. governor 1951-57. Grandson Herbert Jr., 55, flirted with stage career before joining company, took over 1972. Natural at marketing, design-oriented, good with details. "I felt we could change the whole function of the bathroom and make it stimulating, possibly even social." Social? But Herb's fixtures, etc., top-flight. Family majority share over $750 million, perhaps far over. *(For more, see p. 70.)*

Landegger

NYC, Rye Brook, N.Y. et al. Karl Landegger bought ramshackle Austrian paper mill 1920s. Fled Hitler to U.S. 1938 with $40,000. Bought Parsons & Whittemore, small pulp trader, built into world's largest trader of paper and pulp mills; also paper machinery maker Black-Clawson; d. 1976. Sons Carl and George own both. Carl, 65, married, 6 children; CEO Black-Clawson; avid archeologist: discovered pre-Columbian cities. George, 57, married, 5 children; chairman Parsons & Whittemore: thrilled pulp prices doubling in last year. Sees big demand ahead from ex-communist, Asian countries: "A billion and a half people are becoming consumers!" Family holdings estimated $700 million or more.

Lilly

Indianapolis et al. Colonel Eli Lilly, Civil War veteran, started making "Lilly Pills" 1876. Son Josiah took over 1898. Introduced first commercial insulin 1920s. Leader in barbiturates 1930s, antibiotics 1940s, Salk polio vaccine 1950s. First commercial drug from gene-splicing technology 1982. Many legal problems 1970s, 1980s: DES, Darvon, Oraflex. Added medical devices and diagnostics, Prozac (which alone could produce $2 billion revenues this year). More drugs in pipeline. Family no longer in management. Charitable: Lilly Endowment, set up in 1937, $2.8 billion trust for educational, religious and community development. Quiet family believed to still hold shares worth some $1.3 billion.

Louis

Inheritance. Winnetka, Ill. Wife, 3 children of John Jeffry Louis, whose mother was a Johnson of Johnson Wax *(see first cousin Samuel Johnson)*. Late Louis worked in dad's advertising agency; then Johnson Wax international marketing 4 years. Venture capitalist; equity in about 27 companies 1960-80; "4 or 5 succeeded." Biggest: Combined Communications—billboards, television and radio stations, newspapers; chairman until Combined merged into Gannett 1981. Big Republican contributor; ambassador to Britain for Reagan 1981-83. Died February at age 69. Thirty percent ownership of S.C. Johnson & Son remains family holding benefiting some 15 descendants, estimated worth at least $1.2 billion.

Lykes

Tampa, New Orleans, etc. Howell Tyson Lykes (d. 1907) inherited 500 acres Fla. land, gave up medicine to become rancher 1870s. Made fortune with 7 sons, raising, shipping cattle to Cuba. Eventually lost substantial Cuba holdings to Castro. Fortunately, in 1940s Lykes Bros. diversified into insurance, banking, real estate, citrus groves, natural gas, steel. Merged steel, other parts with LTV Corp. 1978; bought steamship line back 1983, got most of money out before LTV crash 1986. Took 8% Barnett Banks in exchange for 37% First Florida Banks 1992. Holdings widely distributed among some 250 family members; Thompson Lykes Rankin, 54, heads family business empire estimated $1 billion.

McClatchy

Sacramento et al. McClatchy Newspapers. Descendants of Irish immigrant James McClatchy, reporter for Horace Greeley's New York Tribune, then cofounded Sacramento Bee 1857; eventually completely bought by family. Granddaughter Eleanor (d. 1980) took over 1936; supported liberal causes. Became one of the West's most powerful women. Shunned publicity, built high wall around home. Nephew Charles (d. 1989) took over 1978, took company public 1988. McClatchy now owns

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13 dailies including Fresno Bee, Modesto Bee in California; 14 nondailies. Family still active in company. With control of Class B stock, family interest recently worth $500 million.

McGraw
The McGraw-Hill Cos. NYC et al. Heirs of James H. McGraw, schoolteacher who sold magazine subscriptions 1800s. At age 28, in lieu of back pay, took stake in ailing railroad publication; revived it. Acquired other trade publications. In 1909 founded McGraw-Hill with partner John Hill (d. 1916): 20 magazines, book business by late 1920s. Today Business Week, 45 other trade magazines, 4 TV stations, hundreds of CD-ROM titles, book publishing, on-line database services, etc.; 1994 sales over $2.7 billion. Grandson Harold W. McGraw Jr., 77, CEO 1975-88, blocked American Express takeover bid 1979. Son Harold III (Terry), 47, president, COO. Family's 20% recently worth around $790 million.

Mead
Consolidated Papers. Wisconsin Rapids, Wis. George Wilson Mead (d. 1961), Illinois furniture salesman, took over dam construction and paper mill business when father-in-law and his partner died 1902. Planned to remain until "paperman" was found; stayed 59 years. Built first electrically powered paper machine; reinvested profits. Consolidated Paper expanded, modernized under son Stanton 1950-66 (d. 1988). Grandson George II, 68, then industry's youngest president at 39. "I guess I was groomed from the beginning to become the chief executive officer." Still has first account; also FORBES. Getting in on green trend: broad list of recycled products. Shares recently worth $1 billion for scattered heirs.

Meijer
Retailing. Grand Rapids, Mich. Hendrik Meijer emigrated from Holland 1907. Opened barbershop 1914, added storefront. During Depression started grocery to pay the rent. Food store grew faster than barbershop. Son Frederik shirked college for family business. Pioneered "one-stop-shopping" concept with combination grocery, discount stores 1960s. Concept caught on; became Meijer Inc., now 99 hypermarkets, still expanding. Attempt to move into "warehouse clubs" failed. Stores run by Fred, 75, and sons: Hendrik, 43; Douglas, 41; Mark, 37. Fred: "I am more poor than you think." Perhaps, but we estimate the Meijer clan is worth a not-so-impoverished $1.2 billion or more.

Katharine Graham
It's not Watergate, but if publishing the Unabomber saves lives. . . .

Mellon
Pittsburgh area. Original Andrew Mellon arrived U.S. 1818, bought farmland with brothers; d. 1856. Son Judge Thomas Mellon studied law, attended Western U. (now U. of Pittsburgh). Invested in coal, real estate. Started T. Mellon & Sons, predecessor of today's Mellon Bank. Quit as common pleas judge 1869: "I was making too great a pecuniary sacrifice." Sons Andrew, Richard B. turned holdings into one of 3 largest pre-WWI American fortunes (with Rockefeller, Vanderbilt). Andrew: created financial institutions; early venture capital projects included Gulf Oil, Alcoa. U.S. Treasury Secretary 1921-32. Exonerated of income tax fraud charges after death 1937. Richard B.'s son, Richard K., managed family business for 3 decades, merged existing banks, centralizing control in Pittsburgh. Revitalized Pittsburgh, instrumental in over $160 million going to Carnegie-Mellon U. Family fortune believed well managed, getting boost from bull market, estimated $5.4 billion. *(See also Paul Mellon, Scaifes.)*

Mennen
Mennen Co. Morristown, N.J. Gerhard Mennen arrived in NYC 1871, age 15. Worked for apothecary; bought Newark drugstore on installment plan

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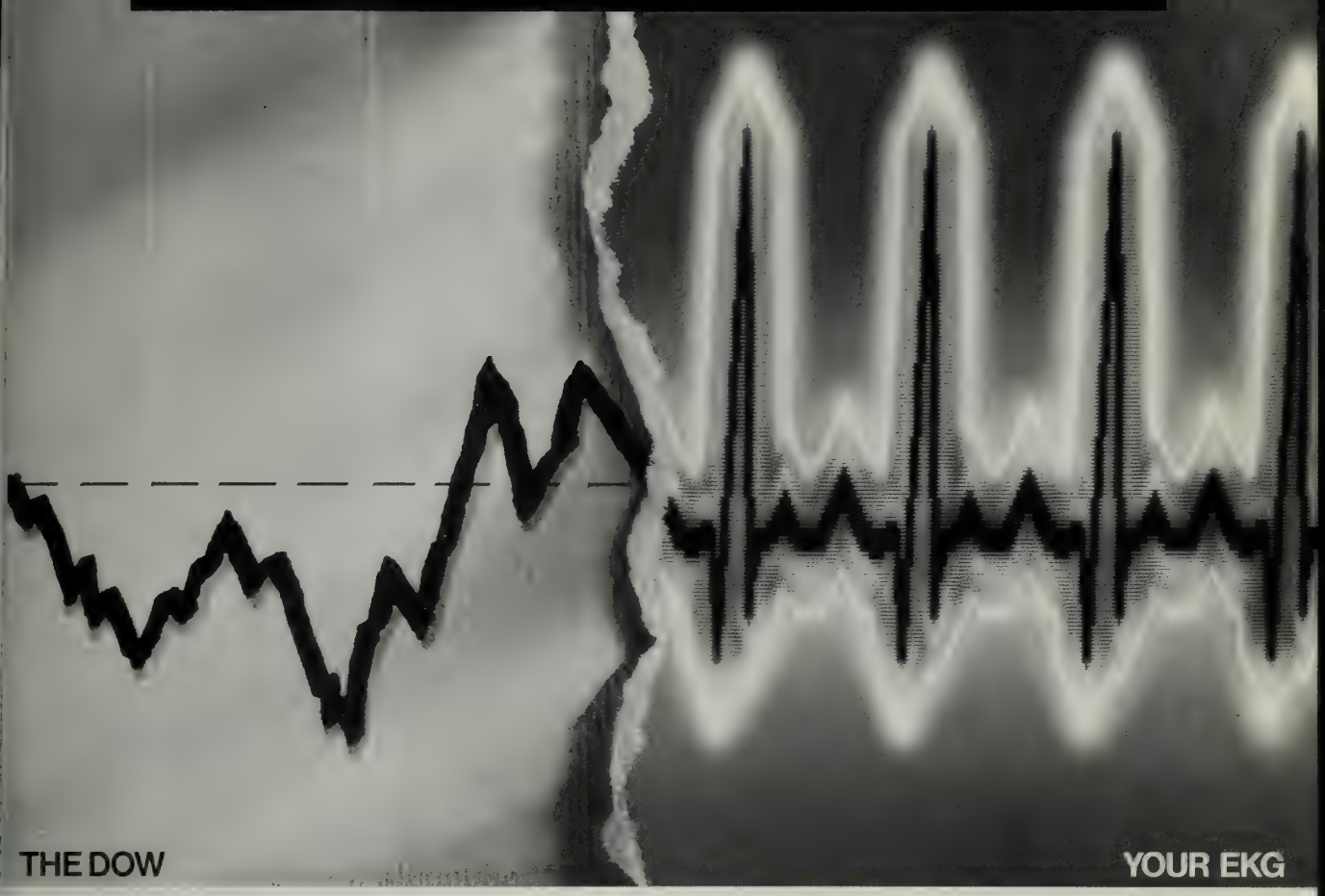

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for $1,600. Founded Mennen 1878. Known for marketing innovations: first talcum powder in shaker can, shaving cream in tube, stick deodorant. Grew to big toiletries name: Speed Stick, Skin Bracer. Revenues in 1991 more than $500 million. Also paper party goods: Paper Art, C.A. Reed. Grandson G. Mennen Williams governor Michigan (d. 1988). Hot competition from multibillion-dollar marketing giants convinced family to sell company to Colgate-Palmolive for $670 million 1992. Family got 80% in Colgate stock, rest in cash; now estimated about $940 million.

Murphy
Murphy Oil. El Dorado, Ark. Charles Sr. (Mr. Charlie) built timber and farming operation, drilled for Louisiana oil 1907. Son Charles Jr., 75, started oil production company at 16 with $5,000 from grandfather. Schooling: private and personal. Authors, professors, Shakespearean actor tutored him; studied Latin, Greek, French, Spanish. "I don't care about business schools. They don't teach people to think. You get that from the classics." At 21, took over Murphy Oil after father suffered stroke. Built successful oil and gas company. Outspoken. Has 4 children. Son Madison chairman. Family owns 25%; also bank shares. Wealth estimated some $510 million.

Nordstrom
Seattle. Swedish teen John W. Nordstrom immigrated to U.S. 1888 with $5, learned English as mine worker, lumberjack; made $13,000 in 1896 Klondike gold rush. Opened shoe store 1901. Upon death 1963, largest independent U.S. shoe chain. Family diversified into women's fashion, added menswear 1968, went public 1971. Now 78 upscale-oriented department stores in 15 states. Sales: $3.9 billion. Incredible store service: change tires for customers, deliver last-minute Christmas presents. (Have lower-service Nordstrom Rack clearance outlets.) Two nonfamily members cochairmen; 6 fourth-generation men copresidents (involved in day-to-day operations). Family shares, etc. recently worth some $1.3 billion.

Norris
Lennox International. Descendants of D.W. Norris, owner Marshalltown, Iowa Times-Republican; helped father-in-law get job by buying coal-furnace patent from machinist-inventor David Lennox for $40,000. Pioneered sheet-metal furnaces; huge success when country moved to central heating. Son John Norris developed oil and gas furnaces 1930s. Later came refrigeration, Lennox air conditioning. Grandson John Jr. took over 1980. Own Heatcraft, Armstrong Air Conditioning. Total revenues estimated over $1.3 billion. Developing air compressors with competitor Trane. Company ownership distributed among more than 175 family members, worth estimated $950 million.

O'Connor
Victoria, Tex. Descendants of Thomas O'Connor (d. 1887), Irish immigrant who arrived in Texas early 1830s, built up 500,000-acre ranching empire south Texas. Two sons expanded, added 200,000 acres out of state, developed Braford cattle (better adapted to sweltering Gulf Coast climate). In mid-1930s discovered "Tom O'Connor" oilfield: one of largest, most productive in Texas; Exxon has big interest. Cullen family *(which see)* runs wells for family. O'Connors also own big stake in Victoria Bankshares: place to stash royalty money. Steeped in ranching tradition, wealth preservation. "We're just caretakers for the next generation." Family split into two groups, thought worth over $570 million.

O'Neill
California. Irish-born Richard O'Neill (b. 1825) to U.S. with family as child, headed west for California gold rush. No gold, but success as rancher: borrowed to buy half of $457,000 Santa Margarita ranch, worked off debt in 24 years. Grandchildren inherited 52,000 acres 1943. With Donald Bren *(which see)*, developed 10,000-acre Mission Viejo, sold to Philip Morris 1972. Now great-grandchild Anthony Moiso developing 5,000-acre Rancho Santa Margarita, Orange County; started Los Flores nearby 1994. Grandchildren: Richard Jerome O'Neill, San Juan Capistrano, 72, married, no children; Alice O'Neill Avery, LA, 78, 3 sons. Fortune believed worth $525 million.

Pigott
Paccar Inc. Bellevue, Wash. Descendants of William Pigott Sr. Made railcars, equipment for logging industry; founded Seattle Car Manufacturing Co. 1905. Built tanks WWII. Tried making autos; entered heavy trucks 1945 with purchase of Kenworth; added Peterbilt. Now $4.5 billion (1994 revenues) Paccar Inc. leading U.S. heavy-duty-truck maker. Planning on economy growing again: built $100 million Kenworth plant. Also facilities Australia, U.K., Mexico, Canada. Exports to over 30 countries. Family currently holds 40%; very private. Grandson Charles, 66, Paccar CEO, chairman; former president Boy Scouts of America. Great-grandsons in company. Over 30 heirs believed to share over $775 million.

Pitcairn
Bryn Athyn, Pa. Devout Scottish immigrant John Pitcairn (d. 1916) founded glassmaking plant on Allegheny River 1883, built into PPG Industries. Pitcairns out of active role in PPG by 1935; retained 14% of stock. Descendants complained they "inherited neither the great financial wealth of our fathers nor the capabilities and energy required to be creators and builders." Sold shares 1985, formed Pitcairn Trust Co. Sold too soon; PPG earnings went up, as did stock. Began managing outside assets anyway 1989. Firm gets good reviews from investors. Family devoted to Swedenborgian faith; designers, main supporters of cathedral in Bryn Athyn. Family holdings said to be $1.2 billion.

Primm
Primadonna Resorts. Las Vegas. Ernest Primm bought 400 acres, gas station and Whiskey Pete's bar near California/Nevada state line, 1952. Turned into 12-room motel and casino

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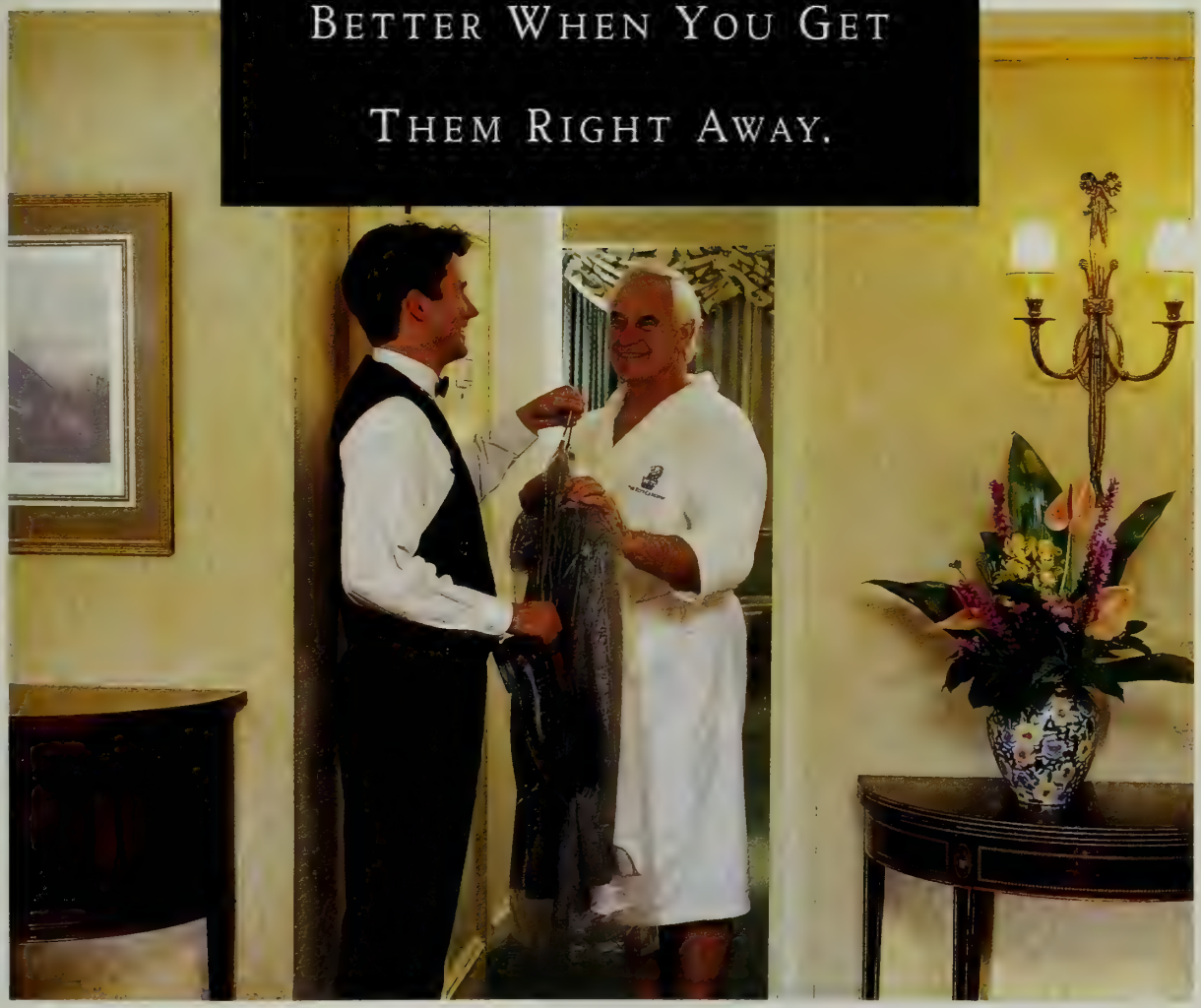

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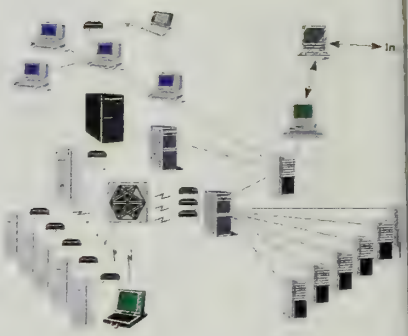

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1977. Gary took over after father's death 1981; expanded to current 777-room H&C. Newly opened Buffalo Bill's boasts world's tallest roller coaster at 209 feet, running through the casino. "Everybody driving I-15 is our customer, from cars, vans, RVs to truck drivers." Fifty/fifty joint venture with MGM to open 1996: New York-New York H&C, to replicate famous skyline, Empire State Building, Statue of Liberty. Five siblings—not in casino business—plus Gary, own 75% of Primadonna Resorts recently worth $760 million.

Pulitzer

St. Louis et al. Descendants of Joseph Pulitzer (1847-1911), Hungarian immigrant settled in St. Louis after Civil War. Bought bankrupt Dispatch 1878 for $2,500; stressed muckraking, yellow journalism. Eventually merged with Post; bought out partner. Built national chain. Founded first journalism grad school 1903: Columbia. Later established Pulitzer Prize. Company went public amid family acrimony 1986: $187 million buyout of dissident members; 18% public offering. Grandson Joseph Jr. (d. 1993) led company 38 years; brother Michael, 65, current chairman. Pulitzer publishing owns 2 dailies, 2 radio, 9 TV stations. Family still retains 96% voting power. Pulitzers' worth recently estimated some $930 million.

Reed

Seattle et al. Descendants of Sol G. Simpson, who cofounded Simpson Timber with A.H. Anderson 1890. "Sleepy lumber company" to 1950s, diversified into papermaking. Reputation for shrewdly buying timber properties at fire-sale prices, replanting. Today 760,000 acres West Coast timberland, including 200,000 acres second-growth California redwood. Value growing with environmental pressure to limit timber harvests on public lands. Great-grandson William Reed, 55, head since 1971. In 1987, after 3-year legal battle, last few nonfamily shares bought out. Former owners kicking selves: fewer than 50 descendants now own company with estimated sales $2 billion, net worth $1.3 billion.

Richards

Carrollton, Ga. West Georgia farm boy Roy Richards (1912-85) fired boiler in father's sawmill age 10, ran mill age 14. Started business erecting utility poles, hanging electric wire. Built St. Croix, Virgin Islands power station 1941. When Alcoa couldn't deliver wire, decided to make own from scratch, opened Southwire Co. 1950. Developed revolutionary "continuous casting" method eliminating weak welded joints. Became major producer; 1994 sales, $1.5 billion. Roy diversified into oil, construction and banking. Sons Roy Jr. and James sold nonwire businesses. The family fortune estimated over $500 million.

Richardson

Greensboro, N.C.; Connecticut et al. Descendants of Lunsford Richardson, teacher-turned-pharmacist who bought drugstore 1890s for $450. In 1905, with $8,000 savings, founded Vicks Family Remedies (picked name from ad for Vick's Seeds). Main product: Vicks VapoRub. Aromatic ointment caught on during flu epidemic 1918-19. Family added other over-the-counter products. Richardson-Merrell (Cepacol, etc.) sold to Dow Chemical 1981 for $80 million stock. Richardson-Vicks (Clearasil, Nyquil) later merged into P&G for another $400 million. Holdings in Vanguard Cellular Systems, Piedmont Management (soon to merge with Chartwell Re Corp.). Over 200 heirs share about $870 million.

Robinson

Kauai, Hawaii. Reclusive landowning dynasty. Scottish ancestors arrived Niihau 1863. Bought 46,000-acre island, 17 miles west of Kauai, from King Kamehameha V for $10,000 gold. Later 50,000-plus acres on Kauai's undeveloped west side. Passionate preservationists: some 3 dozen family members oppose development *(see p. 40)*. Family farms sugarcane, raises cattle, preserves last pure Hawaiian community (pop. 200) on Niihau. Patriarch Warren Robinson: "I'm still a cowboy." But cash flow a problem. Trying ecotourism: wild boar, ram safaris, planned "environmentally sensitive" resort-cottage complex. Robinson waterfall, helicopter used in *Jurassic Park*. Land values estimated over $500 million.

Rockefeller (John D.)

NYC et al. Descendants of John D. Rockefeller, America's first billionaire, founder Standard Oil. Thrifty accounting clerk who set up merchant grain business 1858; with $4,000 down went into oil refining 1863. Result 7 years later: Standard Oil, infamous monopoly immortalized by muckraker Ida Tarbell. Furor led to breakup 1911. Only son, John Jr., married Abby Aldrich. Gave her father—Senator Nelson Aldrich—earnest recital of his financial prospects (he was convinced). The 2 John D.'s donated over $1 billion to charity—when a billion was still a lot of money. Jr. had 6 children—daughter Abby, 5 sons (The Brothers): J.D. III, Nelson, Winthrop (all deceased), and Laurance and David *(see both)*. Nelson (Rocky, d. 1979), 4-term liberal GOP N.Y. governor, 3-time contender for presidency, Ford's VP. John D. IV, 1 of 4 children of John D. III (d. 1978), Democratic W.Va. senator (also governor 1977-84), considered 1992 presidential bid; a big backer Clinton health plan. David Jr. emerging as leader of his generation (The Cousins). Wise investments at Rockefeller Financial Services (family money manager) contribute to estimated family fortune of $6.2 billion.

Rollins

Atlanta; Wilimington, Del. Heirs and brother of O. Wayne Rollins: farm boy who worked 72-hour week for $10 in textile mill during Depression. Younger brother John came into business, a onetime used car dealer who became Delaware's lieutenant governor mid-1960s. Brothers built separate interests. John W.: owns Brandywine, Dover Downs raceways in Delaware; other real estate; stock. O. Wayne: pest control (Orkin Exterminating), media (Rollins Communications), oil and gas, security systems, real estate, etc. Died 1991. Legacies: millions to charity; religious values, close family ties. Sons: R. Randall, 63, chairman Rollins, Inc.; Gary W., 51, president of Rollins, Inc. Family estimated at around $785 million.

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Sammons
Dallas. Charles A. Sammons born Oklahoma 1898; orphaned, raised by aunt. Grain and hay merchant, started Postal Indemnity Co. in Waco, then Reserve Life Insurance, Dallas, after losing big in bank stock; acquired more insurance companies, then moved into cable TV post-WWII: "Cable is like *Alice in Wonderland*. You have to run just to keep up." Died 1988 after arranging estate: 60% foundations, 10% in ESOP, 30% for descendants. Still own Midland National Life. Sold cable systems March: about 60% to Marcus Cable for $1 billion; 40% to TCI and partners for $800 million. After taxes, fortune estimated $500 million, split among only child Maryanne Sammons Cree, 11 or so of her descendants.

Schwan
Marshall, Minn. Marvin Schwan (d. 1993) put self through college, joined milk bottling business run by his father, German immigrant who came to Minnesota 1921. Local price cap forced business out on road. Isolated families in rural areas proved eager buyers of milk, frozen foods, etc. from Schwan trucks: convenience stores on wheels. Later expanded routes to include suburbs, some urban areas. Built Schwan Sales Enterprises to 2,500 trucks, 48 states. Delivers frozen pizza to school cafeterias, hospitals, etc. Up to 90% institutional pizza market. Sales (1994) estimated well over $2 billion. 4 children fighting disposition of Marvin's estate. Schwan's worth more than $1.2 billion.

Scripps (E.W.)
Cincinnati origin. Descendants E.W. Scripps (d. 1926), founded Cleveland Press age 24, 1878; founded UPI. Built nation's once-largest newspaper chain, Scripps Howard. Long history family feuds; bitter estrangement from half brother James *(see J.E. Scripps)*. Other children broke away at E.W.'s death. Son James G. started Scripps League Chain 1931; today considered "pretty low-key operation." Original Scripps company IPO 1988. Now 18 dailies, Scripps Howard Broadcasting (TV, radio, cable) merged into parent 1994; bought Cinetel Productions (cable TV programmer) 1994. Considering sale, restructuring of cable operations. Family trust terminates after death of last of E.W.'s 4 grandchildren; estimated some $1.9 billion.

Scripps (J.E.)
Detroit et al. Heirs of English immigrant James Edmund Scripps *(see also E.W. Scripps)*, who arrived Illinois 1844. Launched Detroit News 1873: short, simple stories for minimally educated factory workers, low price. Circulation spiraled up to 5 times any competitor's. Formula was similar hit in Cleveland, Cincinnati, etc. Later bitter split with half brother E.W. Scripps. J.E. merged with other papers; built Evening News Association. Great-grandson Peter Bruce Clark sold to Gannett for $717 million 1986. Booth Newspapers founded by George Booth, Scripps executive who married into family; sold for $300 million to Newhouse 1976. The 200-plus scattered Scripps believed worth over $700 million.

Searle
Inheritance. Gideon Daniel Searle bought small Indiana drugstore 1888. Entered drugmaking business as G.D. Searle. Grandson John president 1936-66. Introduced motion sickness remedy Dramamine; also first oral contraceptive. Tremendously profitable. John's son Daniel CEO 1966-77: made lousy acquisitions, FDA probe sullied image. Company saved by Daniel's hire of former defense secretary Donald Rumsfeld, who effected turnaround; also discovery of aspartame, a.k.a. Nutrasweet. Sold out to Monsanto 1985. The family fortune now diversified, watched over by G.D.'s great-grandchildren William and Suzanne. Some venture capital. Fortune estimated $1 billion.

Shoen
Phoenix area; Nevada. U-Haul. Founder Leonard, 79, bucked medical school, built first trailer from wood 1945. Painted "U-Haul" on side. After 4 marriages, gave most of company to 12 of 13 children. Kids clashed in late 1980s when earnings dropped from $42 million to $9 million after diversification. Offspring, led by Joseph, now 46, and Mark, 44, took over from Leonard, engineered back-to-basics return to low-cost moving. Also insurance and some real estate. Earnings in 1994 back to $40 million. Shareholders' meetings have sparked brawls among warring Shoen brothers. Father: "They want me dead"; accused Joseph of involvement in 1990 murder of brother Sam's wife. Amerco shares recently worth $580 million.

Smith
Chicago et al. Scions of Solomon A. Smith, founder Merchant Savings 1857. Son Byron founded Northern Trust 1889; family still has large holdings. Financed 2 Swedish toolmakers to form Illinois Tool Works 1912; later took control. Expanded into fasteners, screws, washers. Led by great-grandson Harold 1962-82 (d. 1990). Diversified into packaging systems, engineering components, medical and computer supplies. Family holds 25%. Harold Smith Jr., 61, chairman of Illinois GOP: "Best fundraiser we ever had." Led state's 1994 election sweep. Heads Illinois Tool Works executive committee, director Northern Trust. Family's holdings in both companies recently amounted to $2.2 billion.

Smith (Charles E.)
Washington, D.C. Real estate. Russian immigrant Charles E. Smith, now 94, started building in Brooklyn, lost shirt in Depression. To Washington, D.C. Lost bundle again in first venture there, considered job in bar and grill; wife talked him out of it. Built rental apartments instead, luck finally improved. Son Robert joined 1950; pair assembled land, including railroad yard in Arlington, Va. Yard now vast Crystal City. Now holdings total 16 million square feet, Skyline City in Virginia. Problem looms for Crystal City—Navy, big tenants, may relocate. Company run by son Robert, 67; son-in-law Robert Kogod, 64. Last year took public Charles E. Smith REIT: over 11,000 apartments. Family fortune estimated $560 million.

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NEW YORK LIFE

Stryker
Stryker Corp. Kalamazoo, Mich. Grandfather Homer, orthopedic surgeon, invented mobile hospital bed. Received Army contract during WWII; turned to civilian market afterward with professional managers' help. Son Lee (d. 1976) ran company. Invented new products: e.g., cast cutter that spares patient's skin. Chairman John Brown (not a family member) took over 1977; went public 1979. Develops surgical instruments, bone implants, replacement joints, hospital beds. Acquired Dimso, French producer of spinal implants 1992. Bought majority stake in Matsumoto Medical Instrument, distributor in Japan. Trust controlled by Lee's children, Ronda, Patricia, Jon, recently worth an estimated $540 million.

Stuart
Seattle. Grandfather Elbridge Amos Stuart founded Carnation Co. 1899 in Kent, Wash. Paid $25,000 for German evaporated milk process; supplied prospectors en route to Yukon. Overtook leader Pet with unsweetened canned milk (Pet's was heavily sugared); famous tagline: "from contented cows." Built major food company. Much later: Coffee-mate, Instant Breakfast, Friskies, etc. Sold to Nestlé 1985 for $3 billion. Grandson Dwight: 71. Divorced 4 times; 5 children. President 1973-83; had idea to sell family's one-third share. Brother Elbridge: 78. Married to noted paleontologist Marion Butler Stuart; 3 children. Carnation VP to 1961; lives on Idaho ranch. Family fortune estimated $750 million or more.

Sulzberger
NYC. Tennessee newsman Adolph Ochs (d. 1935) bought New York Times 1896 for $75,000; alternative to era's "yellow journalism." Built one of world's most respected newspapers. In 1950s, 1960s: labor costly, readers fled to suburbs. Grandson Arthur Ochs (Punch) Sulzberger revamped 1970s: new design, special sections recaptured elite readers. Also diversified: 21 newspapers, 10 magazines, 6 TV, 2 radio stations. Acquired Boston Globe $1.1 billion 1993. Punch, 69, publisher 29 years, now chairman, CEO; now son Arthur Jr., 44, publisher. "Gray Lady" on-line June 1994 with @times.AOL: news, chat forums. Family also owns Chattanooga Times. Shares, etc., worth at least $490 million.

Swig
SF. Heirs of Ben Swig (d. 1980), who operated in Boston while partner Jack Weiler worked NYC. Ben moved to SF 1946. Families built and bought hotels, residential and commercial properties. Swig, Weiler & Arnow now more than 5 million square feet, mostly NYC office space. Swigs own posh Fairmont Hotel in SF, 4 sister Fairmonts around U.S. Bought out Weilers ("non-growth-oriented") from hotel concern 1982. Ben's son Richard, 70, chairman; other son, Mel, died 1993. Their brother-in-law Richard Dinner, 74, now retired. Active Democrats, philanthropists. Ben: "Give it away while you're alive, because there are no pockets in shrouds." Family estimated $525 million.

Taylor
Publishing. Boston origin. General Charles H. Taylor (d. 1921) revived fading Boston Globe 1872 with funding from Eben Jordan *(see Jordan family)*. Established co-ownership of Globe with Jordan family. Expanded readership to working class; aligned with Democratic Party early 1900s. Globe's management since dominated by 4 successive generations of Taylors. William O., 63, great-grandson of general, ran company under Affiliated Publications; acquired by New York Times for $1.1 billion October 1993. Had already bought into cellular business via McCaw, which AT&T has since acquired, as early investor-backer; realized major profit. Known family holdings worth more than $600 million.

Temple
Diboll, Tex. Descendants of Thomas Louis Latane Temple Sr., cofounded Southern Pine Lumber Co. 1894 with 7,000 acres East Texas timber. At his death (1934): 200,000 debt-ridden acres. By 1973 half-million-acre forest earning $9.6 million a year run by grandson Arthur Jr. (from 1951). "Integrated forward" by merging with publisher Time Inc. 1973. Arthur Jr. Time chairman 1978-83. Temple-Inland spun off 1984. Arthur, 75, retired. Son Arthur (Buddy) III, 53, die-hard Democrat. Had political aspirations. Now runs family investment company worth about $20 million. T.L.L. Temple Foundation: $285 million assets, no Time Warner shares. Family estimated some $860 million.

Unanue
Goya Foods. Secaucus, N.J.; Bayamon, Puerto Rico. Don Prudencio Unanue (d. 1976) left Spain for Puerto Rico 1904; then to NYC. Opened olive oil, fish-packing firm Brooklyn 1936 with $700. Catered to immigrants longing for taste of home: rice and beans, pasteles, etc. Sales grew with increasing immigration, to $565 million in 1994. Now 800-plus ethnically targeted products: frozen guacamole a recent hit. Sons battled: Charlie, 73, sold out for $4.5 million 1974. Joseph A., 70, runs U.S. operations; Frank Jr., 64, handles Puerto Rico. Antidrug crusader Manuel de Dios Unanue, editor NYC's El Diario-La Prensa, assassinated by Cali drug cartel March 1992. Family fortune estimated $480 million or more.

Upjohn
Kalamazoo, Mich. et al. Descendants of William Erastus Upjohn; invented first dissolvable pill for accurate dosage. Founded Upjohn Pill & Granule Co. with brothers 1885; bought them out. Company went public 1958. Developed Phenolax, premier flavored laxative (mint) 1908; Kaopectate; oral digitalis; Rogaine, baldness treatment 1988; injectable contraceptive Depro-Provera 1993. Patent expirations: Halcion (sleeping pill); Xanax (anti-anxiety); Ansaide (anti-inflammatory); Micronase (oral, for diabetes). Planned merger with Sweden's Pharmacia AB. Family spread out but many in Kalamazoo area. Only 2 in family business. Family's Upjohn shares believed worth over $1 billion.

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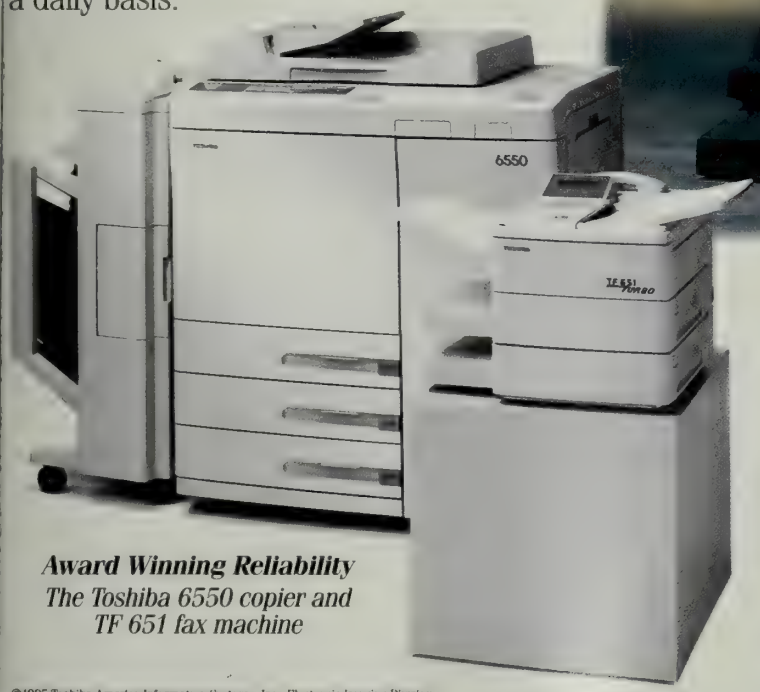

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Ward
Russell Stover Candies. Kansas City, Mo. Louis Larrick Ward, 76, Stanford, Navy WWII, bought small paper box company 1950. One customer: Russell Stover. Bought control for $7.5 million, took public 1960. "There are only so many ways you can put chocolate, butter, cream, eggs, milk, fruit and nuts together. The real competition is in the packaging." Brought automatic packaging, economies of scale to boxed chocolate; spread fixed costs over huge volume. Took private 1981. "Bottom-line businessman" now dominant in market. Acquired Whitman's Candies 1993. Since stroke 1993 sons Scott and Ward running and expanding company. Ownership being transferred to kids. Net worth estimated over $500 million.

Watson
Progenitor Juan José Dominguez, Spanish soldier, was awarded 76,000-acre land grant 1784 by King Carlos III of Spain for service in what is now Los Angeles and Mexico. Juan bequeathed Rancho San Pedro to nephew Cristóbal, whose granddaughter Maria Dolores married Scottish gunslinger James Watson 1855: "a deadlier shot never fingered a revolver." Their great-granddaughter Susana married William Huston, now chairman Watson Land Co., owned by some 90 family members. Massive southern California real estate holdings: offices, warehouses, business parks; also oil interests. Carson family another branch, owns much land California, Arizona, Texas. All told, holdings estimated $560 million.

Weyerhaeuser
St. Paul, Tacoma et al. Descendants of Frederick Weyerhaeuser (d. 1914), German immigrant, worked in Illinois sawmill; bought it out of bankruptcy 1857 with brother-in-law. Chopped vast swath through forest of north-central states to Pacific. Bought 900,000 acres at $6/acre from railroad pioneer James Hill 1900. Merged several companies to form Weyerhaeuser Co., with interlocking directorates eliminated by grandson John Philip Jr. 1947. Firm pioneered tree-farming 1940s; won environmentalists' praise: "The best of the s.o.b.s." Major business power Pacific Northwest. Great-grandson George, 69, retired as CEO 1991. Over 275 heirs share fortune estimated over $1.2 billion.

Whittier
Southern California. Descendants of Mericos H. (Max) Whittier, cofounder, with 4 partners, of Belridge Oil 1911. Bought option on Bakersfield property when oil discovered seeping from ground. President of Belridge until death 1925. Son Leland president 1965-79; secretive (driver's license didn't have home address—San Marino, Calif.). Two families sold out to Texaco, Mobil 1930s; Whittier, Buck, Green families sold to Shell for $3.6 billion 1979; at time biggest takeover ever. Whittier family netted $475 million. Low-profile; philanthropists. Net from Belridge sale, other assets, including small oil company, M.H. Whittier, estimated perhaps $800 million.

Wilmot
Shopping centers. Rochester, N.Y. James Wilmot learned business under Ed DeBartolo *(see son's bio)*. Started own 1950; built Wilmorite, Inc. to regional prominence. Founded Page Airways; sat on Columbia Pictures board. After death 1980, son Thomas took over: 48, married, 4 children. B.S. Syracuse. From age 14 worked summers in family business, full time after college. Oversaw construction 3 million square feet retail, office space 1974-80. Sold Page to U.K.'s Guthrie Corp. for $80 million 1981. Owns 25% of Wilmorite; cousins (35 in all) also owners; 2 in business. Wilmorite 21st-largest shopping center manager, 19 million square feet mostly upstate New York. Family's 90% estimated some $700 million.

Wirtz
Chicago. Policeman's son Arthur Wirtz began buying real estate 1922; owned or managed 80 lakefront Chicago buildings by 1927, then cleaned up in Depression real estate market with grain speculator James Norris. Became sports tycoon. Brought figure skate Sonja Henie to U.S. 1936. Bought sports arenas, including Madison Square Garden; sold some after 1957 antitrust suit. Died 1983. Son William, 66, runs family liquor distributorships, real estate, banking. Sports tradition continues: family owns hockey Blackhawks; piece of basketball Bulls; 50% new Chicago arena, United Center. William reportedly cried at closing of old Chicago Stadium. Comforting thought: fortune estimated $560 million.

Wolfe
Columbus, Ohio et al. Descendants of brothers Robert and Harry, who created fortune from Wear-U-Well shoes 1800s. Bought Columbus Dispatch 1905; later 2 TV and 2 radio stations, Ohio Magazine. Also stock in National City Corp. (bank). Grandson Edgar was Dispatch publisher; died in 1975 plane crash. Edgar III died of AIDS 1985; family feud over estate. Staunch Republicans, long considered one of Ohio's most powerful families. Terse grandson John W. (d. 1994) directed 14-member family's affairs. Cousins John F. (publisher, CEO of Dispatch) and William C. Jr. coexecutors of estate. Most of John's estate slated for charity, awaiting settlement. Family fortune estimated $500 million or more.

Yates
Artesia, N.M. Martin Yates Jr. drilled first commercial wells on New Mexico side of Permian Basin 1921. Family legend tells of dry well after dry well until Martin's wife picked site, hit gusher. Rapidly expanded 1920s: construction pipeline, topping plant. Sold plant during Depression. Martin's sons—Harvey, S.P., Martin III and John—joined business, started Yates Petroleum. Harvey left 1963 after disastrous foray into mining forced sellout to siblings; bounced back, rebuilt fortune as Harvey E. Yates Co. (Heyco). Third generation also has oil in veins: active in family firms or on own (Harvey Jr. runs Cibola Energy Co.). Total net worth of New Mexico's richest family estimated $600 million.

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Nina Scarfell

Died

DeBartolo, Edward John
Youngstown, Ohio. 85. Widowed, 1 son, 1 daughter. Died last December. Son Edward Jr. *(which see)* chairs shopping center REIT.

Haas, Walter A. Jr.
San Francisco, Calif. 79. Honorary chairman of the board for Levi Strauss & Co. when he died in September of cancer. Son Robert *(which see)* is Levi's CEO.

Harbert, John Murdoch III
Birmingham, Ala. 73. Married, 3 children. High-risk-construction specialist died in March. Son Raymond *(which see)* now runs the business.

Hobby, Oveta Culp
Houston, Tex. 90. Texas society doyenne died in August. Left most of $400 million media fortune to two children.

Ingram, Erskine Bronson
Nashville, Tenn. 63. Married, 4 children. Died in June. His wife, Martha *(which see)*, elected chairman of Ingram Corp.'s distribution and barge business.

This year's roaring bull market didn't pull everyone after it. Of last year's richest 400, 13 died, 13 were left behind by the rising values and 9 had fortunes that actually declined. In addition, 6 individuals' fortunes were realigned and 4 others removed.

Left in the dust

Kauffman, Muriel
Mission Hills, Kans. Wife of Marion Labs founder Ewing M. Kauffman, she died in March.

Louis, John Jeffry
Winnetka, Ill. Married, 3 children. Heir to the Johnson Wax fortune died in February at 69. Billion-dollar-plus estate passed on to some 20 descendants *(see family)*.

Marshall, James Howard II
Houston, Tex. 90. Married to 27-year-old Guess? jeans model Anna Nicole Smith when he died in August. Wealth believed passed on to sons *(which see)*.

Miner, Robert N.
San Francisco, Calif. 50. Married, 3 children. Cofounder of Oracle Corp. died last November of cancer.

Petrie, Milton
NYC; Southampton, N.Y. 92. Died December. The Petrie Stores founder left most of near-billion-dollar estate to non-family members, charity.

Taper, Sydney Mark
Beverly Hills, Calif. 93. Widowed, 3 children. Died of heart attack in December. His $350 million estate left to nearly 40 beneficiaries.

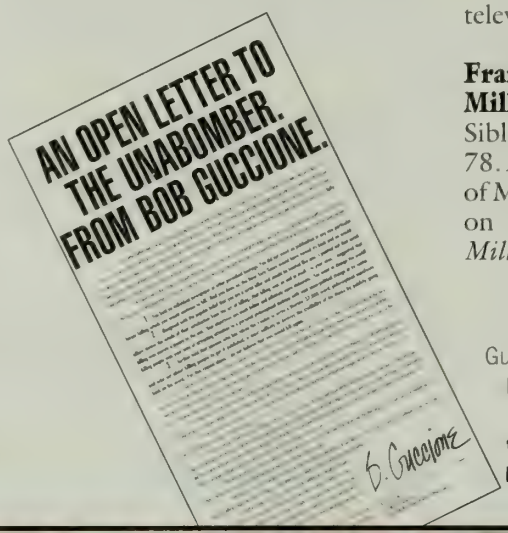
Walton, James Lawrence
Bentonville, Ark. 73. Divorced, 2 daughters. Sam Walton's brother died of aneurysm in March. Daughters Ann Kroenke and Nancy Laurie *(which see)* inherited bulk of estate.

Weis, Sigfried
Lewisburg, Pa. Married, 3 children. Died in June at 78. Cousin Robert *(which see)* still holds Weis Markets stock worth $365 million.

Left behind

Cosby, William Henry Jr.
Amherst, Mass. 58. After wild success with *The Cosby Show*, the networks canceled his next two, less popular television efforts.

Franchetti, Anne
Milliken, Gerrish
Siblings. Gerrish: Greenwich, Conn. 78. Anne: Seal Cove, Me. Their share of Milliken & Co. not enough to stay on this year's ranking *(see Roger Milliken)*.


AN OPEN LETTER TO THE UNABOMBER. FROM BOB GUCCIONE.

Guccione, with some fast friends
Despite efforts to add uplifting material (inset), "Penthouse" 's fortunes continue to sag.

Grainger, David William
Skokie, Ill. 67. His shares of electrical equipment maker W.W. Grainger, Inc. didn't keep pace with rising minimum.

Howard, Robert Staples
Rancho Santa Fe, Calif. 71. No significant rise in value of his Howard Publications newspaper chain.

Hunt, Johnnie Bryan
Goshen, Ark. 68. His shares of J.B. Hunt Transport Services were still worth $335 million.

McLane, Robert Drayton Jr.
Temple, Tex. 59. His Wal-Mart shares and baseball Astros near $340 million, but not near enough.

Moncrief, William Alvin (Tex) Jr.
Fort Worth, Tex. 75. Despite thug-like shakedown by IRS, Tex still estimated $335 million.

Riggio, Leonard
NYC. 54. His shares of Barnes & Noble and NeoStar well below this year's minimum.

Sharp, Bayard
Centerville, Del. 82. Heir of the du Pont family still estimated $335 million *(see nephew H. Rodney Sharp)*.

Spelling, Aaron
Holmby Hills, Calif. 72. Spelling's still milking old hits *Melrose Place* and *Beverly Hills 90210*. But lacking new hits, that's not enough to keep pace with this year's minimum.

Stein, Jay
Jacksonville, Fla. 49. His shares of discount clothier Stein Mart flat since last year, at around $315 million.

Wexner, Bella
Columbus, Ohio. 86. Mother of Leslie Wexner *(which see)*. Her Limited Inc. shares recently $330 million.

Declined

Autry, Orvon Gene
Los Angeles, Calif. 88. Autry has been selling off bits and pieces of his media holdings, including some of his California Angels baseball team. A near miss *(see p. 314)*.

Bastian, Bruce W.
Orem, Utah. 47. Bastian got divorced. The remainder of his Novell stock recently worth about $260 million.

Cohn, Seymour
Palm Beach County, Fla. 84. Stagnant real estate values didn't allow Cohn to join the rise along with this year's minimum.

Daniels, Robert William Jr.
Denver. 75. He sold his Prime Ticket network for over $200 million in TCI stock. But that wasn't enough for this year's rankings.

Dyson, Charles Henry
NYC. 86. His majority-owned conglomerate, Dyson-Kissner Moran, is shedding assets to pay off heavy debt load and suffering from flat revenues.

Ford, Josephine
Grosse Pointe Farms, Mich. 72. Apparently moving Ford stock away from her estate; recently $335 million.

Guccione, Robert Charles Joseph Edward S.
NYC. 63. His cornerstone publication, *Penthouse*, experiencing declining circulation—with or without the Unabomber manifesto.

Primm, Gary Ernest
Las Vegas. 55. Sagging stock price of his Primadonna Resorts removes him from The Forbes Four Hundred *(see Primm family)*.

Simon, Herbert
Indianapolis, Ind. 61. Younger brother of shopping mall builder Mel Simon *(which see)*. His shares Simon Property Group, other assets, still estimated $335 million.

Realigned

Breed, Allen Kent
South Padre Island, Tex. 68. The triggered-airbag inventor distributed his shares of Breed Technology to family members *(see Breed family)*.

Getty, Mark
Getty, Tara Gabriel Galaxy Gramaphone
Williams, Ariadne Getty
Siblings. London, England. Mark: 35. Tara: 27. Ariadne: 33. Their share of Getty Oil fortune now estimated $315 million each.

Murphy, Charles Jr.
El Dorado, Ark. 75. Family members control bulk of Murphy's 25% stake in Murphy Oil.

Ward, Louis Larrick
Kansas City, Mo. 76. After suffering stroke in 1993, ownership being transferred to children *(see family)*.

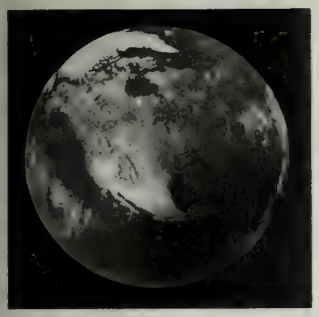
Removed

Abraham, S. Daniel
West Palm Beach, Fla. 71. Competition from Nestlé and a general downturn in the diet pill market hurt the value of Slim-Fast Foods.

Dart, Robert
London, England. 37. Youngest brother in fractious Dart family took Irish citizenship last year.

Dorrance, John T. III
Lyford Cay, Bahamas. 51. The Campbell Soup heir renounced his U.S. citizenship for tax purposes.

Jones, Glenn Robert
Denver. 65. Closer examination of Jones' noncable holdings, including Mind Extension University, warrant lower evaluation.



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Every one of this year's Near Misses would have placed solidly on The Forbes Four Hundred in 1994. Some of them did. Oh well, maybe next year.

I thought I could, I thought I could

John Jay Moores
Software. Sugar Land, Tex. 51. Married, 2 children. Married high school sweetheart at 19; U. of Houston together. Programming, marketing IBM 1966-74. U. of Houston law school with wife, both joined Texas bar: "I learned I didn't want to be a lawyer." Started BMC software 1980 to write faster program for IBM mainframe. Lured elite programmers with higher-than-norm royalties. Went public 1988; prepared to phase himself out: "My ego didn't require that I be CEO of a public company." Retired 1992. Bought San Diego (baseball) Padres 1994. Collector Corvettes, Ferraris, Mercedes. Gave $51 million to U. of Houston, then largest private gift ever to a public university. Recently estimated $340 million.

Josephine Ford
Inheritance. 72. Grosse Pointe Farms, Mich. Married, 4 children. With brother William Clay *(which see)*, surviving grandchild of Henry Ford (d. 1947), founder Ford Motor Co. Brother Henry Ford II (d. 1987) joined faltering company 1943; replaced grandfather as president 1945; retired as chairman 1980. Engineered turnaround of company, reconstruction of downtown Detroit. Josephine (Dodie): husband Walter B. Ford, unrelated old Detroit banking family. Generous contributor to Detroit Institute of Arts. Ford family collectively owns all 70.9 million Class B shares, worth $2.1 billion. Her share of company worth an estimated $335 million.

William Henry Cosby Jr.
Television, entertainment. 58. Amherst, Mass.; NYC; LA; Philadelphia. Married, 5 children. Philly-raised, quit Temple U. for comedy. Within year, on *Tonight Show*. First black network TV costar: *I Spy*. Four Emmys. Also kid market: guest *Sesame Street*, creator Fat Albert cartoon. Well-paid pitchman: JELL-O, Kodak. *The Cosby Show* debuted 1984; ratings vaulted NBC to first place. Syndicated reruns earn $1 billion; Cosby gets chunk. Also books, concerts, records. Failures: revival of Groucho Marx's *You Bet Your Life*, canceled *The Cosby Mysteries*. Awarded degrees by Temple, U. of Mass.; gave $20 million to daughter's alma mater, Spelman College. Estimated over $335 million.

Julian H. Robertson Jr.
Money manager. Long Island, N.Y. 63. Married, 3 sons. B.S. business administration, U. of North Carolina. Navy. At Kidder, Peabody 23 years starting 1957. Ran Kidder's Webster Management 1974. Feeling "too constrained," moved family to New Zealand 1978 to write "Great American Novel." Never completed. In-

stead, saw hedge fund successes, formed Tiger Fund with partner 1980, when Dow in 800s. (So named because Robertson calls people "tiger" when fond of them.) From starting $8.8 million, funds (now also Jaguar, Puma, Panther) over $7 billion managed assets. Hot this summer; funds back up over 20%, Robertson claims. "Julian's got the best animal instincts in the jungle." And an estimated $330 million.

Robert William Daniels Jr.
Cable TV. Denver. 75. Four divorces, 2 stepchildren. "Father of cable TV." New Mexico Military Institute, junior college; "I really have no formal business training." Navy fighter pilot WWII, Korea. While driving to Casper, Wyo. 1952, saw fights on TV in Murphy's Bar, Denver. "I thought there's got to be a way you can get TV into small towns." Convinced Wyoming oilmen to back cable venture. Formed Daniels & Associates 1958 Denver, became top cable brokerage. Acquired, sold cable systems: some to Newhouse 1980 for $100 million; last year Prime Ticket sports network to TCI for $220 million. Beat alcohol problem; gives to Betty Ford Clinic, Scripps Clinic. Worth at least $330 million.

Dean V. White
Real estate. Merrillville, Ind. 72. Married; 4 children. Father started sign company 1935; Dean sold signs as 13-year-old. U. of Nebraska dropout. United States Merchant Marine Academy 1945. Took over business. Surpassed father's challenge to make over $1 million by age 40: landed billboard contract with Holiday Inn founder Kemmons Wilson; capitalized on interstate highway growth; now fourth-largest billboard company. Got first Holiday Inn franchise 1969. Bought Celebration Station 1982: now 15 go-cart-and-arcade centers, taxpayers on land until time is ripe for hotels, housing. Tennis, golf; 25 handicap. "Can't run a company like this and play much golf." Not retiring: "Busier than I've ever been." Estimated $325 million.

Walter Scott Jr.
Construction, telecommunications, energy. Omaha, Nebr. 64. Widowed, remarried; 6 children. Born Omaha; high school chum: Warren Buffett *(which see)*. Joined construction concern Peter Kiewit Sons' after engineering degree Colorado State 1953. Worked way up; took over when Peter Kiewit Sr. died 1979. Diversified: telephone, cable TV, energy; acquisitions dramatically fattened Kiewit revenues ($3 billion 1994), bottom line. Still tight with Buffett, who works out of 14th floor in company's Kiewit Plaza building: co-own Omaha Royals (minor league baseball), on Berkshire Hathaway board. Kiewit stake, investments estimated at least $325 million.

Peter Huizenga and family
Oakbrook, Ill. Wayne's cousin. 56. Married, 4 children. Grew up blue-collar Chicago suburb, third generation in business: helped Dad on garbage collection routes. Hope College 1960; U. of Illinois, law 1963. Tax law 8 years. Waste Management (now

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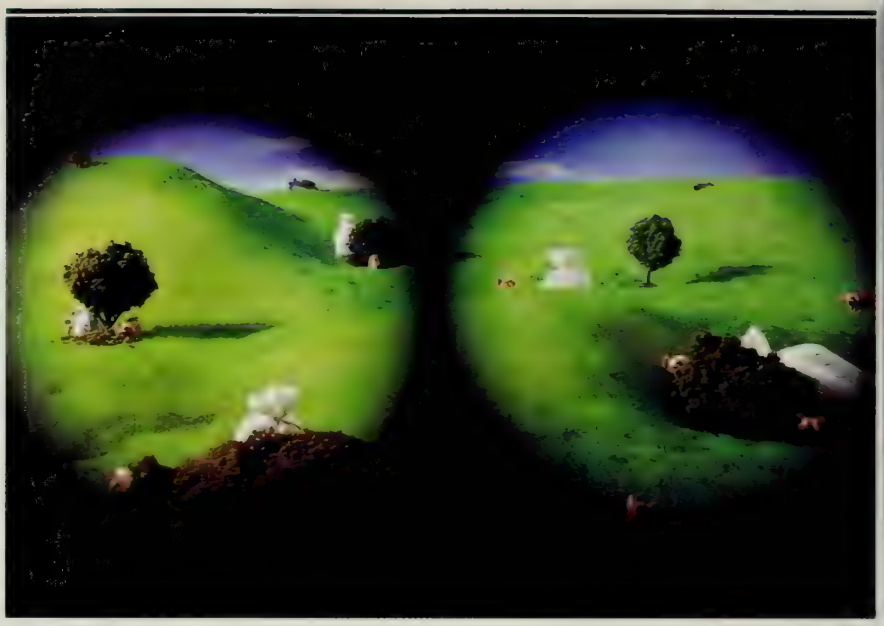
WMX Technologies) founded by cousin Wayne Huizenga *(which see)*. Right time, right place: "Half the time you fall into it." Other investments: Discovery Zone, Boston Chicken, Blockbuster Entertainment (merged into Viacom), Evergreen Healthcare. "Opportunity today may be gone tomorrow. You've got to make decisions." Likes American Indian art. Neighborhood association president. Estimated about $320 million, denies: "I'm less than $100 million."

Orvon Gene Autry
Broadcasting, baseball. LA. 88. Raised Texas; learned to rope, ride on Oklahoma ranch. Telegraph operator, railroad laborer, CPA after high school. Became "Oklahoma's Singin' Cowboy" on advice from Will Rogers; yodeled on Tulsa radio, then Chicago 1930. Made records, western films; CBS radio show 1940-57. Big hit: "Rudolph the Red-Nosed Reindeer." Bought first radio station 1952. Built Golden West Broadcasters into radio, TV power. Bought California (baseball) Angels 1960. Sold LA TV KTLA to KKR 1983 for $245 million. Sold 2 Seattle radio stations 1994-95; sold LA station to Cap Cities/ABC 1994. This year selling 25% Angels to Disney for $30 million. Net worth estimated $320 million.

David G. Price
Real estate. Santa Monica, Calif. 63. Married, 5 children. Immigrant Welsh father; raised LA. UCLA law school. At first, $525 monthly salary. Met, through sister, LA real estate mogul, became his personal attorney. With $2.3 million bought 2 golf courses and a country club from him, 1969; 5 years before American Golf turned profit. Among first into golf course management as big business; manages 200 properties; private. "If it's a public company, you have to answer to too many people." But took National Golf Properties public 1993: 78 courses managed by American Golf. Once withheld broker's commission, now born-again Christian. Of underpaid broker: "He deserved [the commission], we should have given it to him." Likes air racing, basketball. Estimated $315 million.



Rules of the chase

OUR ESTIMATES of people's net worth are deliberately conservative. It is possible to say with some confidence that a person is worth more than a given amount; it is often extremely difficult or impossible to establish exactly how much more. Our basic operating principle is to think in terms of how much a prudent buyer, knowing what we know, might consider paying for a person's net assets.

To arrive at coherent estimates of wealth, FORBES adopts a number of basic rules:

- Blocks of publicly traded stock are priced at the market close on Aug. 23.
- Privately held companies are usually valued according to estimated earnings or, preferably, cash flow, and to prevailing ratios for similar companies in similar businesses.
- When earnings and cash flow aren't known or are suspect, we adopt rule-of-thumb conventions common to the relevant industry. Television and radio stations, cable systems and some newspapers are valued for us by authoritative media brokers who track them professionally *(see Acknowledgments, p. 322)*.
- Among oil and gas producers, we rarely go beyond putting fair valuation on their reserves, to be conservative. Some oil and real estate magnates have substantial assets not in their own names, so in one or two cases we were forced to rely on consensus estimates of knowledgeable peers. These estimates, naturally, are treated cautiously.

Often it isn't even clear exactly who owns a great fortune. It is frequently parked, at least partly, in the names of the immediate family or concealed in private investment companies. Or, more difficult to find, in trusts, where separate elements of ownership (control of principal, receipt of income, power to name heirs, etc.) are deliberately spread among different people

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to defend against inheritance tax laws.

• In the matter of trusts and other intrafamily arrangements, we proceed on a case-by-case basis, applying common sense. Most plainly exist to carry out a normal pattern of inheritance (to husbands, wives or offspring) and to minimize inheritance taxes. We look at who controls such wealth. Trusts are generally attributed to the person who created the wealth, if still alive and in control; or, if that person is not alive, to the principal controlling family member or members (and not the family lawyers).

Obversely, spendthrift trusts, which are meant to keep control out of the hands of beneficiaries, are not credited to the beneficiaries; only estimated trust income is counted.

Lawyers sometimes say a trust is "owned" by those who ultimately will receive the principal. Usually, that means the next generation of the family in question. But, in fact, the next generation often has no power to spend or invest principal or to disburse income to themselves. Some are still children; some heirs may be yet unborn.

It is difficult to take such "ownership" seriously, or to count so powerless an "owner" as one of the richest people in America. It is true that a controlling person's powers may be weakened by the limitations of a trust. But every other party's claim to present ownership is weaker still.

Irrevocable charitable trusts and foundations are not counted as personal wealth at all.

Wealth in the names of spouses and other immediate family members is sometimes assigned to the principal family member, especially where ties are close. Where a family member's shares are sufficient to entitle him or her to a place among the richest people in America, however, we generally list him or her separately. And we do the same with immediate family members split by divorce or other internal family differences. ■

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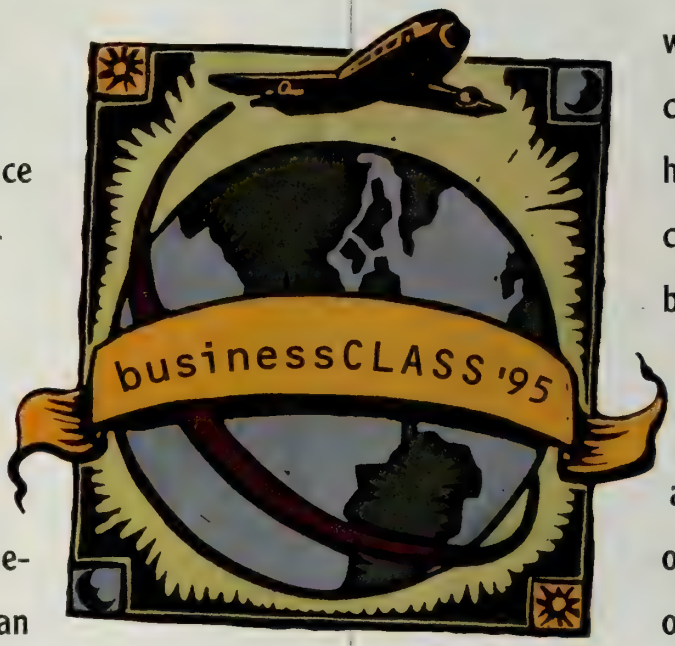

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NO WONDER THEY

DIDN'T FEEL WELCOME.

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AT&T introduces USADirect® 800 Service. The only way to make your 800 number toll-free worldwide.

Until now, your customers outside North America had to pay every time they called your 800 number.

Today, that barrier to global business comes down. Because with AT&T's new USADirect 800 Service, customers in over 130 countries can call your existing 800 number absolutely toll-free.

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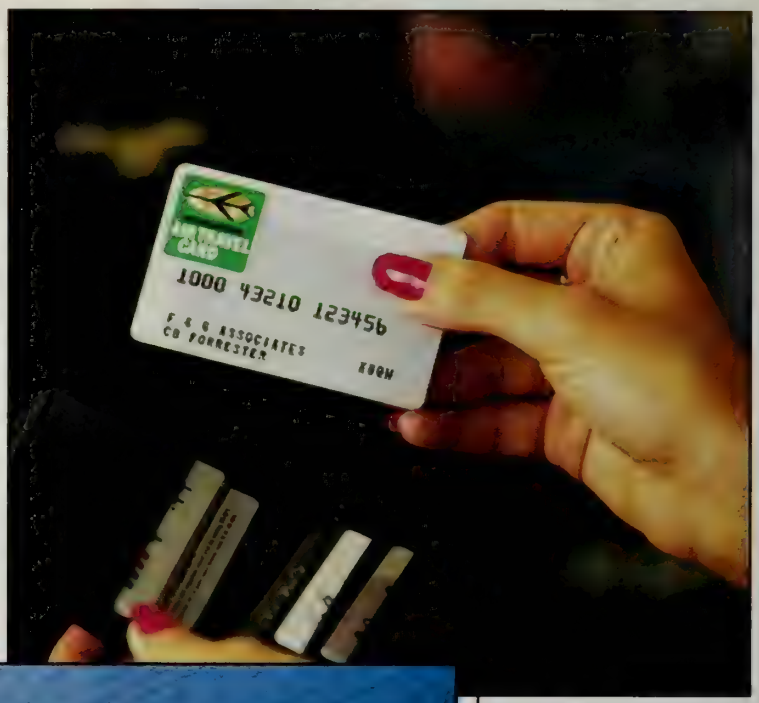
Over 130 countries. One number. Toll-free. A world of new markets and new opportunities awaits. Exclusively from AT&T. For more information about AT&T USADirect 800 Service, call ***800 655-1441, Ext. 902****. From outside North America, dial the same number preceded by the USADirect Service access code. And let freedom ring.*

AT&T. For the life of your business.™

AT&T

tools & tips for today's executive traveler

on the airplane



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Learn how to upgrade.

A recent survey revealed that seven of ten business travelers fly in coach on domestic trips. Flying in a coach cabin is not only uncomfortable and unproductive, it's also unnecessary. All the major airline frequent-flier programs include plans that allow business travelers to buy upgrades for cash or in exchange for miles. One airline, Northwest, even offers a special upgrade fare. On many routes that include a connection at that airline's Detroit, Memphis or Minneapolis hubs, the Northwest ConnectFirst program allows business travelers to book a first-class seat for the price of a full coach fare.

Step up to business class.

When business travelers book an international trip, more than half wisely choose a seat in the business-class cabin. The extra space, more personalized service and quiet atmosphere allow travelers to maximize the productivity of their in-flight time, which can stretch to 15 hours on long-haul flights across the Pacific. Besides, paying for a business-class seat is often its own reward. Travelers who choose Japan Airlines' Executive Class service receive a raft of amenities: private limousine service to and from the airport, an excess baggage allowance and deep discounts on hotels in seven cities, including an extremely advantageous rate at the Akasaka Prince in Tokyo.

Choose the best seat.

If you must fly coach, know where the most comfortable seats are. On flights operated with wide-body jumbo jets, request an aisle seat in a middle row near the back of the plane. Airlines generally assign those seats last, which means there's a good chance that the seat next to you—or possibly the entire row—may be empty. Regardless of plane type, the roomiest coach seats on domestic flights are located in the rows adjacent to the aircraft's emergency exits. By federal regulation, seats in these exit rows must have several extra inches of legroom. These seats are also desirable because they are quiet: Federal regulations specifically bar children from exit-row seats. Airlines don't assign these seats until 24 hours before flight time, but they can be worth the wait.

Know the jargon.

If you want to fly from here to there via the fastest, most direct route, make sure you book only a *nonstop* flight. Oxymoronic as it may sound, *direct* flights aren't. They make one or more intermediate stops between your point of origin ar
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disguise. In other words, only nonstops a
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Separate your charge

The more you fly, the more you apprec
advantages of carrying an Air Travel Card t
for your airline tickets. There are no annu
and travelers who charge tickets to the Car
matically receive $200,000 of air-travel acc
insurance. Back at the office, the Card gen
management reports that detail travel-expe
patterns and offer excellent information fo
get analysis of past and future air-travel co

Get your own airplan

Business travelers whose itineraries ta
them to smaller U.S. cities may find that t
best way to keep airfares down is to own th
own corporate plane. A four-seat aircraft li
Commander 114B fulfills about 80% of th
needs of the nation's business travelers, ha
range of 850 miles and offers access to mo
than 12,000 airports around the country. T
price? After taxes and other considerations,
about $20,000 a year. "A company's typica
domestic business trip is less than 400 mil
and the passenger load is fewer than three
ple," says Wirt D. Walker III, chairman an
chief executive officer of Commander Aircr
"Our plane perfectly fits that niche."

continued on page A

Thanks to SkyTel 2-Way℠

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Delivery™ John Banks no

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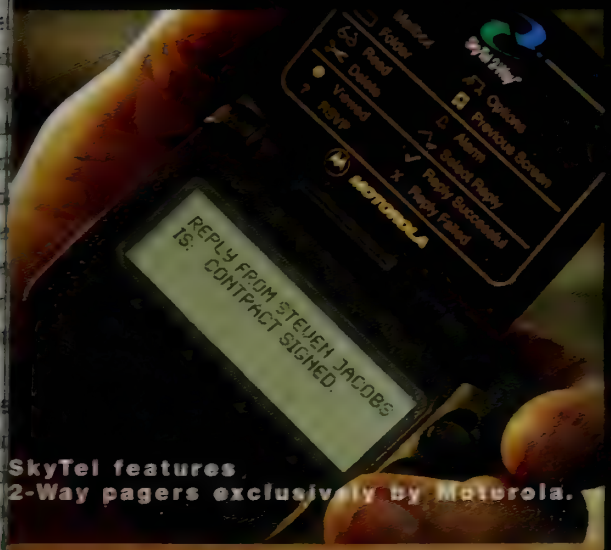

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Introducing SkyTel 2-Way Paging.

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SkyTel 2-Way™

tools & tips for today's executive traveler

calling with care & cauti

Keeping in touch with home, office and clients on the road is one of the business traveler's greatest challenges. The tools of interstate and international communications have improved dramatically in recent years, but so have the possibilities for errors and extra costs.

Here's how to keep the lines of communication open without breaking your expense account.

1. Know the codes.

Assume that any public pay phone is a rip-off waiting to happen. Rapacious firms called alternate operator services charge unbelievably high rates for long-distance calls. To be safe, always dial your own long-distance carrier's access code before placing a call from a pay phone. Instead of dialing 0 from any pay phone, dial 102880 to connect to AT&T's long-distance network, 102220 for MCI or 103330 for Sprint.

2. Use a calling card.

AT&T offers a popular and reliable long-distance calling card, as do MCI and Sprint. Charging calls to your telephone card is less expensive than calling collect, and cheaper and more convenient than using coins.

3. Don't charge calls to your room.

Many hotels have decided to make a profit from guest-room telephones and faxes, so it's wisest to charge all your calls to your telephone card. Some hotels will impose a surcharge every time you use your card, but that's still less expensive than charging the call to your room. Here's a tip to keep down calling-card surcharges: Use the pound (#) key. After you finish the first call you've charged to a card, hit the pound key rather than hanging up, then dial the next number. Repeat the procedure when you need t make additional long-distance calls. Th hotel's phone system will read the sequence as one call and apply only one surcharge.

the TOOLS of interstate and international communications have improved DRAMATICALLY in recent years.

The AT&T Calling Card gives you access to USADirect services in more than 140 countries.

4. Cut the wires.

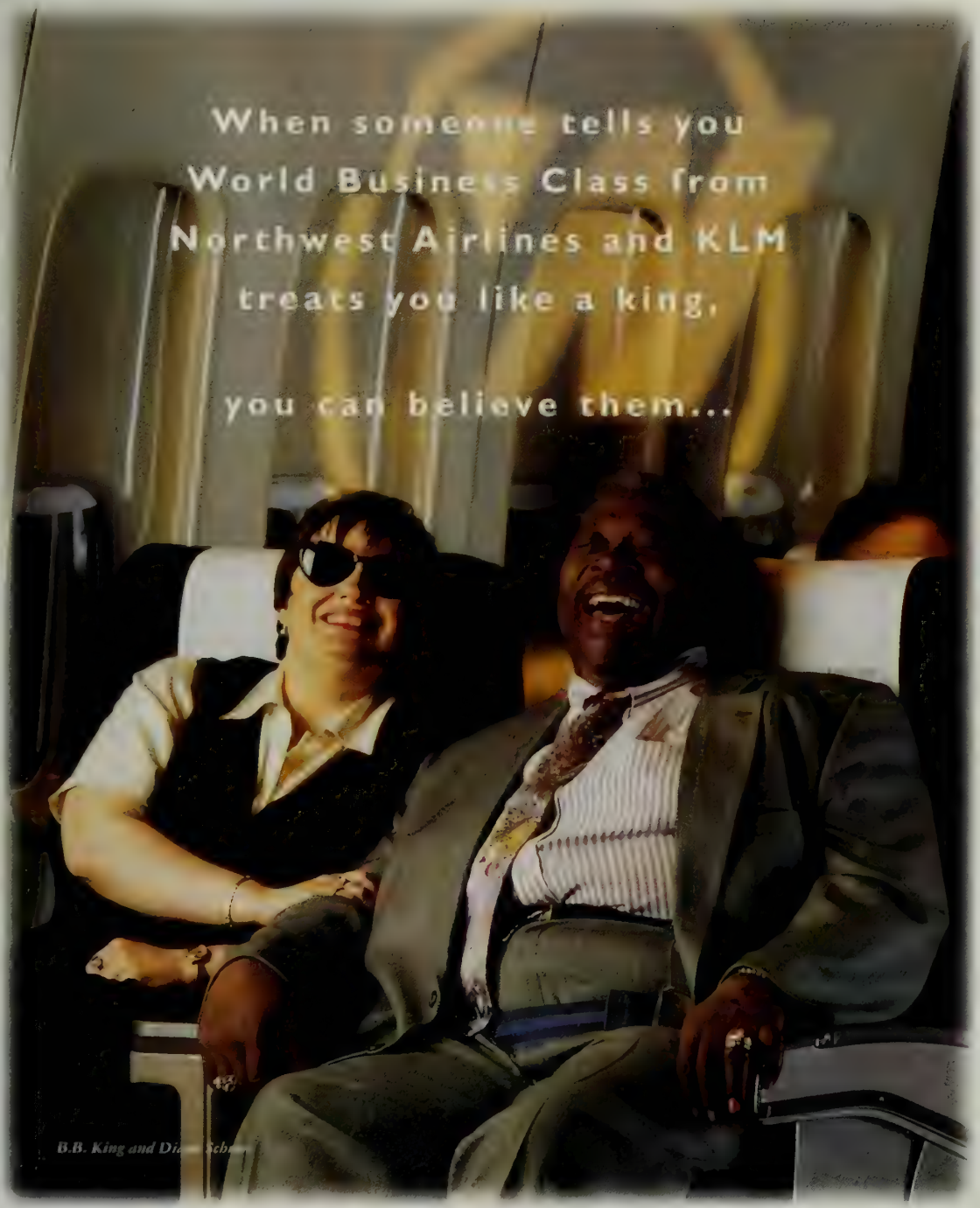
If you have a cellular telephone, tak it with you on the road. And get ready the era of two-way paging. SkyTel, the nation's leading wireless messaging firr has just introduced SkyTel 2-Way, a system that allows business travelers to receive and *send* messages from a devi not much larger than an old-style beepo

5. Use USADirec overseas.

In more than 140 countries, AT&T USADirect Service allows you to bypas the local phone system and immediately connect to an English-speaking AT&T operator. The AT&T operator can place your calls, charge thei at AT&T's low international rates and bill the calls to your AT&T Calling Card or a local telephone company card. The call to USADirect i usually toll-free and can be placed from most foreign pa phones or hotel room phones. Call 800-331-1140 ext. 100, for a handy wallet card detailing USADirect Service.

6. Get your information free.

Both AT&T and MCI publish excellent free guides to help business travelers manage their international calls. Get the AT&T Worldwide Calling Guide by calling 800-545-3117. MCI's guide is available by calling 800-792-4685.



B.B. King and Di[illegible] Sch[illegible]

No wonder they're smiling.

You see, World Business Class℠ was designed to give business travelers more room to work, sleep, or just to stretch out. With a choice of movies on their own Personal Video System, plus innovative menus designed by real, live, world renowned chefs.

But most important, it was designed so that you arrive more rested, and ready to do business, in more destinations than any other airline in the world.

Join B.B. King and Diane Schuur in World Business Class. Call your travel agent or Northwest Airlines at **1·800·447·4747**.

NORTHWEST AIRLINES

More people just know how to fly.

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Northwest recycles enough paper to fill 41,147's

continued from page A4

at the hotel

Get the recognition you deserve.

Hotel frequent-stay programs don't get the publicity that airline frequent-flier plans receive, but don't ignore them. Frequent-stay plans offer a valuable perk: recognition. Members of the Renaissance Club Express program receive accommodations on special floors at Renaissance Hotels, private reservations and information lines and a liberal travel-rewards plan. Members of the Fairmont President's Club can upgrade to a suite for just $25 per night, receive free use of health clubs and get special dining discounts.

Don't waste time in the lobby.

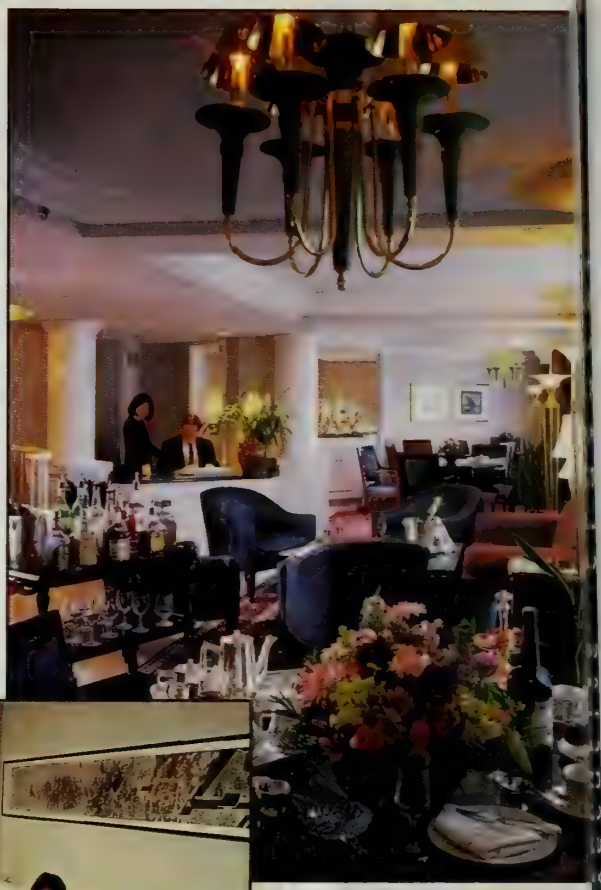
Hotel lobbies are black holes of productivity and should be avoided. Frequent-stay programs such as the Westin Premier, Fairmont President's Club and Renaissance Club Express offer expedited check-in services that minimize your time in the lobby. Many good hotels also offer a variety of checkout options that keep you out of the lobby altogether. Ask if your hotel has an express checkout procedure that allows you to receive your bill the night before your departure. Many hotels now offer video checkout and bill reconciliation through the television set in your room.

Don't get segmented to death.

The hotel industry is on a segmentation kick—there are more types of budget, limited-service, all-suite and extended-stay properties than most business travelers can comprehend. By and large, however, classic, full-service hotels still make the most sense for the vast majority of executives. The Akasaka Prince in Tokyo offers executives everything they need: a centralized location, 14 restaurants and lounges, a fully equipped business center and 33 meeting rooms. A property like the newly restored Beverly Hills Hotel is known primarily for its exquisite service and excellent location, but it also supplies exactly what business travelers require: 24-hour room service, in-room speakerphones with direct private lines and a fax machine in every room.

Spread a few singles around.

Making friends and influencing people is a wise policy; at a hotel, the people with whom you most want to become friendly are on the housekeeping staff. Tipping the maid a few dollars a day will ensure that she's responsive to any immediate, last-minute needs you may have, such as an iron and ironing board, a few extra towels or an additional pillow. Make sure you lea a tip every day rather than in one lu sum at the end of your stay.



Guests at Renaissance hotels (abo receive special privileges through t Club Express plan. At the Akasaka Prince in Tokyo (left), executives ha access to everything they need for ness. And each guest room at the Beverly Hills Hotel (below) is equip with fax machines.

continued on page A10

the class of choice

Business travelers no longer complain about being barred from first-class cabins on international flights. That's because there are precious few first-class cabins in which to book a seat.

In recent years, many of the world's best airlines have eliminated first class on most of their international routes. Adopting a concept popularized internationally several years ago by Northwest and KLM, carriers are replacing aging first-class sections with more commodious business-class cabins.

Continental combined its first and business classes into a new cabin called BusinessFirst. Its Italian code-sharing partner, Alitalia, made a similar decision last June and dubbed its new service Magnifica Class. TWA's international jets now sport a combined cabin called Business One. And SAS Scandinavian Airlines offers two types of business-class seating but no first class.

Although the concept of business-class service has been around for only about 15 years, it has clearly replaced first class as the cabin of choice for many international business travelers. It strikes a reasonable balance between price and value, and, best of all, the new business-class cabins are much more comfortable than the first class of old.

Consider World Business Class, the best-articulated example of the new international business classes. It not only spans the chasm between the old concepts of first and business classes, it also crosses airline boundaries because it is jointly offered by Northwest Airlines and KLM.

Seats in World Business Class offer 48 inches of pitch, the industry measure for legroom. The in-flight service is flexible: full meals for business executives who choose traditional service, or smaller, lighter snacks for travelers who want to maximize their opportunity to work or sleep during the flight. Travelers in either the Northwest or KLM World Business Class cabins also receive state-of-the-art, seat-side personal video systems offering several channels of movies, news and sports. And the amenities kits, blankets and pillows all have been redesigned to accommodate the needs of international passengers.

Of course, the rise of the new international business classes does not mean the absolute demise of first-class cabins. On routes to destinations such as London, Sydney and Paris, carriers like British Airways, Air France, American and United continue to offer both first- and business-class cabins.

Air France recently overhauled both of its premium cabins to better accommodate the needs of traveling business executives. The centerpiece of the $100 million redesign is the remarkable L'Espace seat. In Air France's new first-class cabins, the L'Espace 180 seat reclines to a horizontal position, essentially turning it into an in-flight bed. Seat pitch is gigantic (82 inches); video monitors and phones are built in, and movable partitions afford privacy when the seat is in the fully reclined sleeping position. In business class, the Air France L'Espace 127 seat reclines 127 degrees, which NASA studies have determined is the natural angle assumed by the human body in a zero-gravity environment.

Northwest's World Business Class (left) has set the standard for modern business-class service. The fully reclining L'Espace 180 seat (below) is the centerpiece of Air France's new first-class cabins.

continued from page A8

at the rental-car pickup

Avoid the car-rental counter.

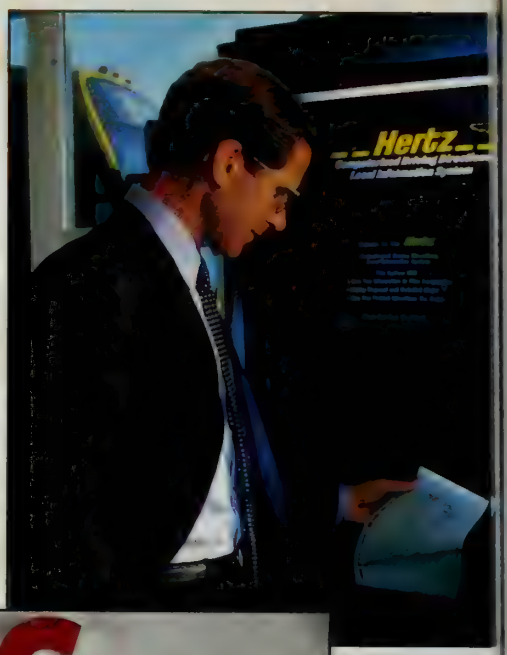
No business traveler has the time to waste at a car-rental counter. More important, it's no longer necessary. All the major rental firms now offer instant rental services that permit travelers to go from the gate of their arriving flight directly to their car without stopping at a counter or dealing with paperwork. Hertz's program, #1 Gold Service, is available at about 600 locations in 21 countries. Avis calls its plan Avis Preferred; National has dubbed its program Emerald Aisle. The annual fee for the service—about $50—is minuscule compared with the 20 or 30 minutes a business traveler wastes if he or she makes that counter stop.

Try door-to-door rentals.

It's not well known, but Hertz and Avis offer valet services that simplify the return of their cars at many major U.S. airports. The Avis program, Avis Return Valet, works like this: When a traveler drives into a special area at an Avis return lot, an Avis employee immediately processes the rental invoice, then takes the wheel of the car and drives the traveler directly to his or her departure terminal. The employee helps unload the luggage, then drives the car away. The business traveler never has to load luggage onto or off an airport shuttle bus and doesn't waste a minute from the time the car is returned to the time he or she reaches the airport terminals.

Check your coverage.

Car-rental insurance programs and waivers are complicated affairs. Make sure that you have complete coverage for items such as collision damage, third-party liability and the loss of personal effects. Many of those insurance items are included free-of-charge as part of your company's corporate rate, but some are not. Your own personal automobile insurance policy covers some types of car-rental insurance; your credit card provide addition rental coverage.



Avis Preferred vice (left) allow business travel streamline the rental process ports. The Hert Computerized Driving Directio System (above) gives travelers rate, on demar information abo driving routes.

Drive ir from the suburbs.

Car rentals remain the best bargain in travel, so use t to your financial advantage. If you're und pressure to reduce your travel and entertai ment costs, stay in the suburbs, then rent and drive to your downtown appointments Business travelers who choose overnight lo ing and meals in the suburbs rather than central city can slash T&E costs by as muc 50%, according to Runzheimer Internatio the management consulting firm. One exa ple: Per diem costs (three meals and lodgi in a business hotel) are $216 in Boston, bu only $128 in the northern suburbs.

all the MAJOR rental firms now offer INSTANT rental services.

continued on page A14

A SEAT SO COMFORTABLE, YOU MAY WANT TO REQUEST A WAKE-UP CALL.

INTRODUCING L'ESPACE 127
BUSINESS CLASS SERVICE

Sleep is a precious commodity in the upper reaches of the atmosphere. Especially when business demands a meeting in Europe early the next morning. Fortunately, Air France's new L'Espace 127 offers business travelers the comfort of a seat more likely found in first class than in business. One that reclines further, replicating the body's natural sleeping position. A seat designed for total muscle relaxation. In your waking hours, L'Espace 127 boasts a built-in video entertainment system, a travel kit with a full complement of amenities, and the finest wines and French cuisine Air France has to offer. For information and reservations, call your travel agent or 1-800-AF PARIS. No, you're not dreaming. Not yet, anyway.

AIR FRANCE

turning hotel rooms into offices

When a major hotel chain conducted a study about business-travel trends in the 1990s, the company was amazed to discover that executive travelers have become nonstop workaholics. Not only are they burning the proverbial candle at both ends, they are now obsessed with making their travel time more productive.

More than 70% of the 500 business travelers contacted said they "feel more pressure to be productive when they travel for business as compared to five years ago." About 60% of the travelers say they spend "more time working in their hotel rooms than they did five years ago."

This dramatic shift in how business travelers live their lives on the road has forced hoteliers to rethink their concept of what a guest room should be. Mints on the pillow and baskets of bathroom amenities may be symbols of gracious hospitality, but they are not what today's pedal-to-the-metal business travelers require. Simply put, business travelers need their hotel rooms to be nearly seamless extensions of their offices.

Westin Hotels & Resorts addresses that need with Westin's Guest Office, guest rooms that double as working offices. For just $20 above the standard room rate, each Guest Office room provides not only the usual hotel amenities, but also a host of business tools:

- A multifunction printer/fax/copy machine and printer cables.
- A speakerphone with dataport and a logical telephone policy: no charge for local calls and no surcharge for 800 calls, credit-card calls or incoming and outgoing faxes.
- A spacious work area, adjustable desk chair and special desk lighting.

Office supplies are available at no extra charge, as are valuable services such as in-room coffeemakers, breakfast, newspapers and late checkout privileges.

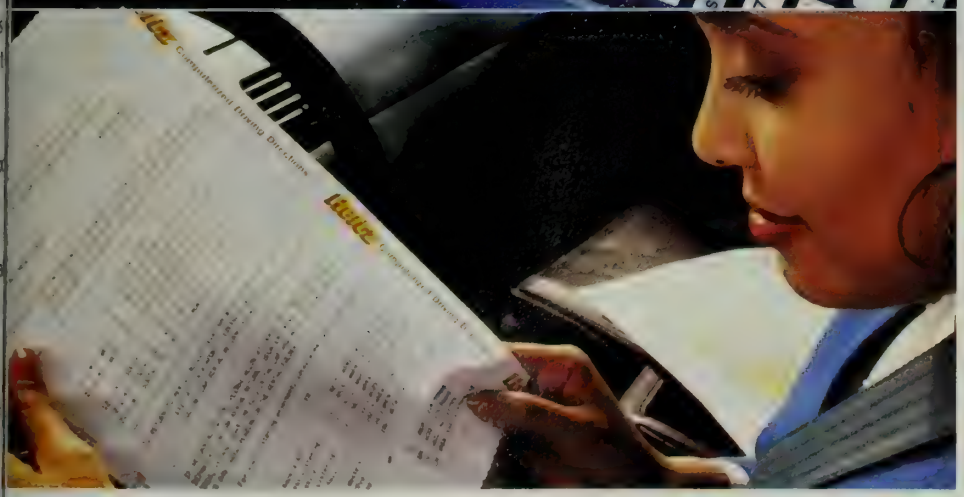
"This 'office within a guest room' allows business travelers to work comfortably and conveniently in their room," says Juergen Bartels, chairman and chief executive officer of Westin. "It provides them with the necessary business tools and services they need to be productive on the road."

Westin offers Guest Office rooms at 27 of its North American hotels; other chains are installing similar concept rooms. Hyatt, for example, has Business Plan rooms in 85 hotels in the U.S. and Canada. Radisson has Business Class rooms in 110 hotels in 11 countries. And Loews Hotels offers Business Class rooms at its 14 properties.

Most guest rooms at Fairmont hotels are equipped with fax machines, two-line phones and dataports.

Fairmont Hotels has taken a slightly different approach. Rather than create special guest rooms that function as offices, Fairmont places business tools in every room. At the Fairmont hotels in San Francisco, San Jose and Chicago, every room and suite is outfitted with a fax machine, a two-line telephone with voicemail and a dataport that bypasses the hotel's central switchboard. Half the rooms in the Fairmont properties in Dallas and New Orleans are similarly equipped. At The Plaza in New York, now managed by Fairmont, all guest rooms will have fax machines, two-line phones and dataports by the end of the year.

More Innovations Per Mile.



Hertz. With the innovations and services you need. Now and always.

In business, it's the innovators who stay one step ahead of the competition. That's why travelers take advantage of the innovative services at Hertz.

From Beginning...

There's simply no faster way to rent a car than Hertz #1 Club Gold.® No long lines. No unnecessary paperwork. Nothing to slow you down. Now available at over 600 locations around the world, including the U.S., Canada, Europe, Australia, and New Zealand.

To End...

Bringing the car back is just as fast and easy. With Instant Return, available at most U.S. airports, a Hertz employee greets you at the car and processes a fully detailed, finalized receipt on the spot. No trips to the counter.

And All Points In Between.

Hertz was the first to provide Computerized Driving Directions, with instant, detailed instructions in any of six languages. Including return directions to get you back to the airport on time. Available at many locations in the U.S. and Europe.

And Hertz offers portable or in-car cellular phones at our locations across the U.S., making business on the road smoother than ever.

Hertz is always coming up with innovations to make life easier for people who travel. That's why mile for mile, no one takes care of business exactly like Hertz.

Hertz®
exactly.

Hertz rents Fords and other fine cars.
©REG. U.S. PAT. OFF. ©HERTZ SYSTEM INC. 1995/1996

continued from page A10

at the airports

Don't be a face in the crowd.

The world's major airports can be brutally crowded at peak travel times, but executives can make their airport downtime productive by joining an airline club lounge. Northwest's network of WorldClub lounges are oases of civility in the manic airport environment. The clubs offer complimentary beverages and snacks, access to fax and photocopy machines, desks, telephones, conference rooms and a range of airline services. The cost? Just $175 a year.

EXECUTIVES can make their airport time productive by joining an AIRLINE CLUB LOUNGE.

Club lounges like the Northwest WorldClub network offer executives a quiet place at the airport.

Find an alternate airport.

Most important business centers are served by more than one airport; these satellite facilities are much less crowded than the city's major airport. Rather than brave the crowds at Los Angeles International, book flights into the comparatively placid airports in Long Beach, Burbank or Orange County. Travelers overwhelm La Guardia Airport in New York, but many business executives save time by using New York's suburban facilities—White Plains in Westchester County, Newark, N.J., and Islip on Long Island. Midway Airport is more convenient than O'Hare International for business travelers whose itineraries begin or end in downtown Chicago. Other business cities with more than one airport include Cleveland, Detroit, Dallas, London, Paris, Miami, San Francisco, Houston, Toronto, Montreal, São Paulo and Tampa.

Avoid making an enemy at the gate.

Airline gate agents have an enormous amount of discretion, so treat them well. "Don't make a enemy of the gate agents, because they hold your destiny in their hands," says Chris Vukelich, a former TWA and British Airways executive. "I've seen gate agents pass over business travelers—when they were logical upgrade candidates—because those travelers were nasty to them. Be polite and courteous. That's what gate agents respond to."

Talk the talk.

Another thing gate agents respond to is knowledge. If you know what you're talking about, chances are you'll get better service. Next time your flight is canceled or severely delayed, try politely asking the agent to "Rule 240" you. That's airline code for a procedure that allows the gate agent to validate your ticket for passage on a competing airline if it has the next-most-convenient flight.

Go to the phones, not the counter.

If a storm delays your flight or your airline cancels your itinerary, don't get into the long lines at the ticket counter. Instead, go directly to the nearest telephone and call your airline's reservation line. The phone agents are not in the midst of the airport's crisis, they aren't dealing with hordes of disgruntled travelers, and they can do anything an airport employee can do.

Know before you go.

Salk International's Airport Transit Guide is a treasure trove of useful transportation information. For hundreds of airports

continued on page A18

You Don't Have To Be A Fortune 500 Company To Afford The Benefits Of Aircraft Ownership

Approximately 80% of domestic general aviation business flights are less than 500 miles, carrying fewer than four people.

The Commander 114B, with a range of more than 800 miles, can transport four people luxuriously at a fraction of the acquisition and operating costs of other corporate aircraft and more efficiently than the overburdened hub and spoke commercial airline system.

	Estimated Aircraft Acquisition Cost	Estimated Operating Cost Per Hour
Commander 114B	$ 348,500	$ 54
Beech King Air, B-200	$3,714,475	$ 452
Cessna Citation Bravo	$4,395,000	$ 757
Learjet 35A	$5,247,200	$ 865
Hawker 800	$9,950,000	$1,013

The Commander *Advantage*

Ownership of a Commander 114B can save you time and money, enhance productivity, competitive edge, convenience and corporate image, as well as provide tax benefits.

You don't have to be a pilot or have your own flight department

Commander Aircraft Company, together with our worldwide network of Authorized Sales and Service Representatives, will establish a turnkey aircraft ownership program for you: financing, insurance, service and support, hangar/storage, flight instruction, and arranging to have a professional pilot on call as needed to meet your transportation needs.

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a sense of where you are

For all its seeming simplicity, the car-rental transaction sometimes can be the beginning of the most enervating portion of a business traveler's road trip. By definition, the traveler is in a strange and unfamiliar city, about to step into an equally strange and unfamiliar automobile. Most difficult of all, the business traveler will be driving the vehicle on roads and highways he or she may not know and attempting to pilot the car to destinations he or she may have never visited.

It's all confusing and disconcerting. It's also stress-inducing, dangerous to life and limb, and, until now, totally unavoidable.

The advent of computer technology and the widespread availability of satellite-based Global Positioning Systems (GPS) means that car rentals will never be the same. Even if business travelers don't know where they are going, their rental cars will.

The nation's leading rental firms, Hertz and Avis, have introduced in-car navigation systems that literally tell business travelers where to go. The compact devices have real-time mapping and directional capabilities, video screens that display specific driving directions with pinpoint accuracy and the ability to direct business travelers to their destinations with visual and verbal instructions.

The Hertz system (NeverLost) and the Avis system (Avis Satellite Guidance) work in similar ways. They provide turn-by-turn driving directions by means of a four-inch video screen mounted near the dashboard and computer-generated voice instructions. To activate the system, business travelers start their vehicles and press a button. By scrolling down the screen and entering a selection, travele can quickly program their destination. computer then issues visual and verbal commands to guide the driver.

Even if BUSINESS TRAVELERS don't know where they are going, their rental cars WILL.

Hertz NeverLost offers travelers computerized directional systems inside their rental cars.

The guidance systems have "tremen dous applications for business travelers says Robert J. Bailey, a senior vice president at Hertz. "Business travelers are usually in a hurry and can't afford get lost. And even if they don't follow the directions on the screen or the voic command and they make a wrong turn the system works. There's one-button recalculation of directions after a mistake."

Avis, which began testing its navigation system in 1992, says consumer rea tion to the product is overwhelmingly positive. More than 90% of its custome who tested the system in San Jose cred ed the navigation gear with decreased stress and enhanced feelings c driver security and personal well-being.

The hardware, manufactured by Rockwell International, combines GPS with gyroscopic dead-reckoning technology. GPS is used by boaters, aviators and military personnel to chart thei exact geographic location. The database and electronic-mapping software used in the automotive systems were created by a California company called Navigation Technologies.

Hertz employs NeverLost in midsiz full-size and luxury Fords, and currently offers the system in nine markets—Orlando, Miami, Atlanta, Chicago, Detroit, Los Angeles, San Francisco, Washington, D.C., and the New York metropolitan area. Avis has more than 700 cars equipped with Avis Satellite Guidance and deploys them in 12 U.S. markets.

Aer Lingus ✈ Air New Zealand ✈ Alitalia ✈ American Airlines ✈ Austrian Airlines ✈ British Airways

Your employees will soar. Your expenses won't.

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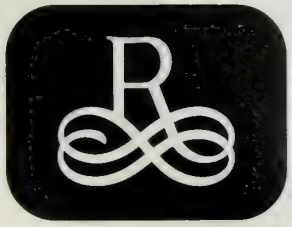
Saudi Arabian Airlines ✈ Swissair ✈ TAP Air Portugal ✈ Trans World Airlines

Northwest Airlines ✈ Lufthansa ✈ Kuwait Airways ✈ KLM Royal Dutch Airlines

Where to find a plane.

Where to find your bags.

Where to find a taxi.



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HOTELS AND RESORTS

tools & tips for today's executive traveler

continued from page A14

around the world, the guide details the cost of a cab to the central city, the availability of bus and train service and the names of the car-rental firms that serve the airport. The pocket-size book costs just $8.95 delivered from Magellan's (800-962-4943).

in your suitcase

Don't think pink—or puce.

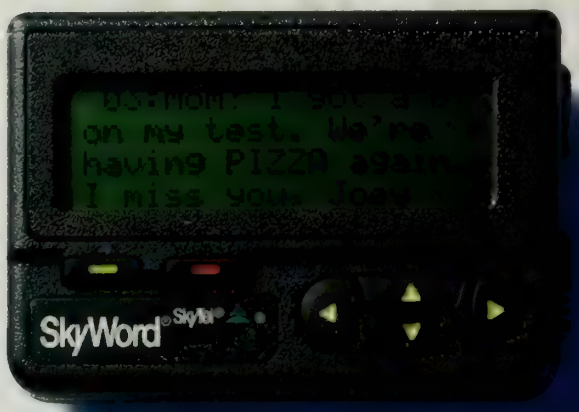
The best way to save time while traveling is to avoid checking bags. Restricting yourself to carry-on luggage means you'll be able to arrive later for your departing flight, then skip the long wait at baggage claim upon arrival. The best way to get down to carry-on weight is to limit your wardrobe for each trip to coordinating colors and mix-and-match outfits. Some travelers wear only black, white or gray clothing on the road. If that's too monochromatic for you, at least skip some of the louder colors and exotic accessories that work with only one outfit.

Be prepared to travel.

You know you're going to travel, so be prepared. Always have a pac letries kit at the ready, and rest immediately after every trip. Pl your travel cards—frequent-tra memberships, instant-car-renta AT&T Calling Card, Air Travel C in a dedicated travel wallet. Hav "on-the-road" set of your perso travel imperatives—a running and shoes if you're a jogger, ext glasses or contacts or even your loved novel—and make sure al gear is always packed and ready

Include products for a pinch.

Round out your toiletries kit keeping a few emergency produc the nooks and crannies: a Swiss knife that includes a blade, screw and corkscrew; a tube of strong su glue, invaluable for everything fro emergency eyeglass repair to garm hemming; a roll of strapping tape large, resealable plastic bags, hanc for everything from packing dirty laundry to protecting a sheaf of important papers.



The new SkyTel 2-Way wireless paging system allows business travelers to send and receive messages.

Carry the basics.

Great hotels like the Beverly Hi Hotel place fax machines in your g room so you can work in privacy. A high-tech tools like the SkyTel 2-W

continued on page A2

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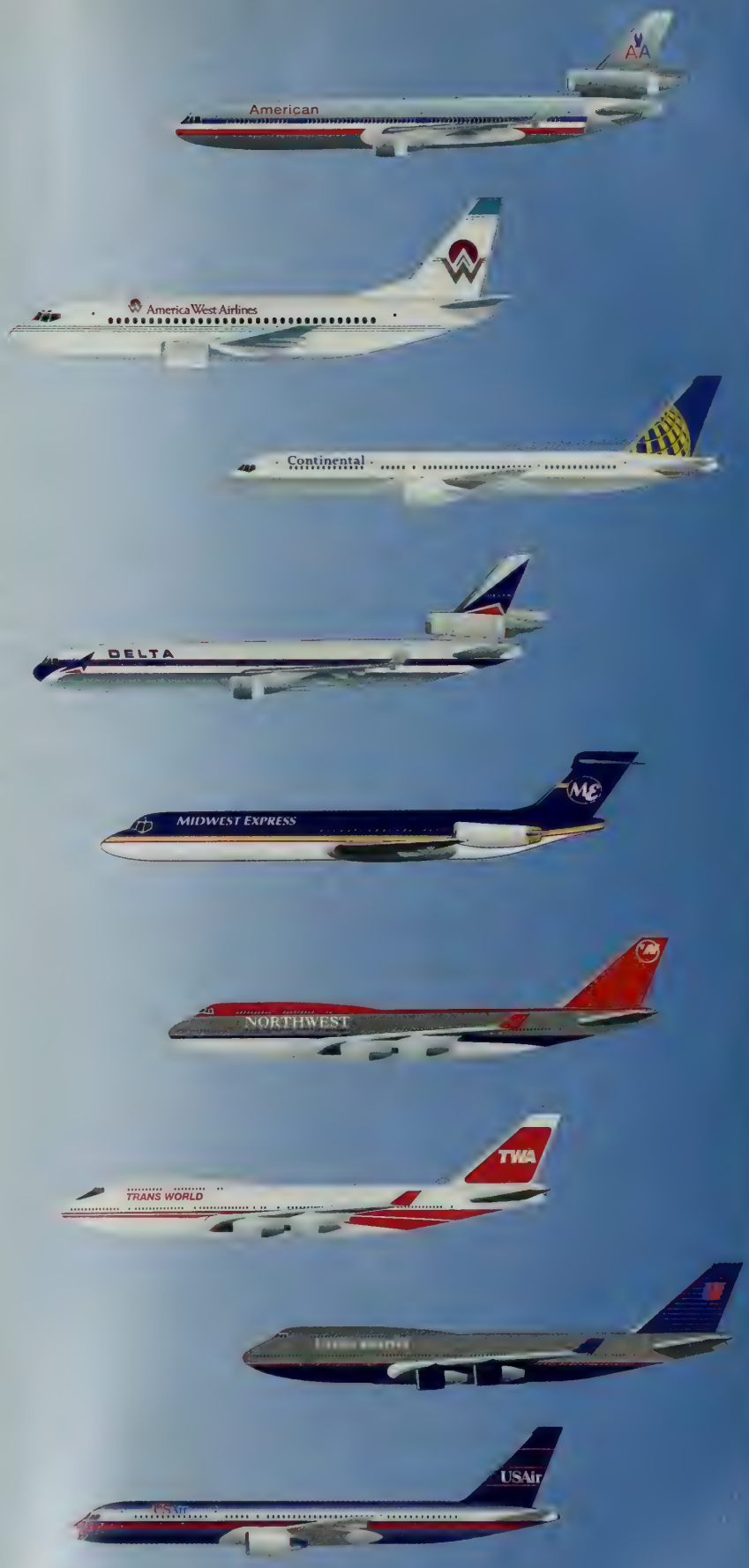


Offer good on qualifying rentals. Miles awarded for consecutive p[illegible] of 2 days or more for weekend rentals that occur Thursday 9 AM through Monday 11:59 PM, and [illegible] more for weekly rentals.

Avis features GM cars

©1995 Wizard Co., Inc.

the truth about airfares

Business travelers are dyed-in-the-wool skeptics, but they too often buy into hoary old clichés about airline fares. In truth, airline fares aren't inexplicable, outrageously unfair or mysteriously immune to the basic laws of economics.

Here are three fundamental—if little known—truths that every business traveler should know about the cost of an airline ticket:

1. Buying flexibility

Business travelers may wonder why the leisure travelers seated next to them on a flight often pay less than they did. After all, the flight is the same, the seat is the same and the in-flight service is exactly the same.

What *isn't* the same is the flexibility of the ticket. Generally speaking, the lower the fare, the more restrictive the conditions. At the lowest fare levels, purchasers have absolutely no options: They must buy their ticket on the spot, sometimes days or weeks before departure, and the ticket is not refundable. They cannot easily change departure dates, routes or flights.

At the highest fares, purchasers have total flexibility: They may buy a ticket at any time before departure and it can be refunded at any time for any reason. And they can change anything about the ticket: departure date and time, or even the origin and destination points specified on the ticket. Between the highest and lowest fares is an array of prices that balance cost and conditions.

Want to reduce your cost of flying? Plan ahead, be prepared to travel at the slowest times (usually flights around th middle of the day) on the slowest days (usually midweek) and accept the fact that you will be charged for any change you are allowed to make.

2. Following the crowd

Business travelers often complain that they pay more to fly shorter routes than for the long hauls. Why should it cost more to fly 360 miles between Philadelphia and Cleveland than it does to fly between Philadelphia and Los Angeles, a route that is nearly seven times as long?

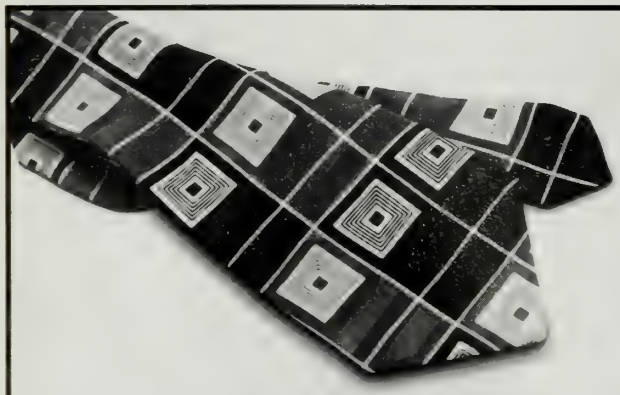
In short, airlines don't price seats by the mile, but by the sound rules of supp and demand. More Philadelphians want fly to Los Angeles than Cleveland, so tha allows the airlines to schedule more flights, thus lowering their average cost per seat. In turn, they can sell the seats to Los Angeles for less than the seats to Cleveland.

If your business takes you to destinations that few other travelers visit, you are charged accordingly.

3. The fare-war syndrome

Business travelers would never allow their own companies to get involved in highly public—and seemingly unprofitable—price wars. So they can't understand why the airlines do it.

That attitude ignores a crucial business reality: Alone among major industries, the airlines compete in a totally public marketplace. Reservations computers list the price and availability of virtually every seat on every flight for every carrier. There are few volume prices or privileged discounts. It's all out there in the open, and every traveler in America gets a fair and equal shot at the best airfare deals.



SPILL EGGS BENEDICT ON YOUR SUIT AT BREAKFAST AND WE'LL HAVE IT READY FOR YOUR VEAL PICCATA AT LUNCH.

The Akasaka Prince Hotel in Tokyo has two-hour laundry and dry cleaning. So you'll look sharp for those pressing engagements. Call 1-800-542-8686 for reservations. Akasaka PRINCE HOTEL TOKYO

continued from page A18

paging system allow you to keep in touch with your office no matter where you are. But working without the basics is no easy task, so pack your carry-on case with an office supplies kit. Stock it with overnight-mail labels, a calculator, stationery, business cards, a mini-stapler, scissors, a highlighting marker and paper clips.

Cushion your laptop.

If you are among the increasing number of business travelers who never leave the office without a laptop computer, invest in a good travel bag. Laptop luggage costs less than $100; there's padding in all the right places, and the bags have pouches for the paraphernalia—manuals, extra disks, spare batteries, phone cords and printer cables.

on the road

Buy before you fly.

The U.S. dollar isn't the financial colossus it once was, so American business executives must shop cautiously when they travel overseas. Assume you should buy everything you need before you travel. A bottle of aspirin that costs about $7 in Los Angeles costs $10 in London and $36 in Tokyo. A $3 packet of razor blades fetches almost $9 in São Paulo. A $6 tube of lipstick costs almost $11 in Madrid and $14 in Sydney. And bring enough clothes: A $40 pair of men's jeans costs $84 in Stockholm, while a $41 woman's blouse costs $97 in Frankfurt.

Fight the battle of the bulge.

Business executives invariably crowd their travel schedules, and that often means grabbing quick snacks rather than sensible meals. Nutrition experts suggest you limit your daily fat intake to a total of 65 grams, so snacking on the road is at your own risk. An airport hot-dog has 15 grams of fat, and that bag of honey-roasted peanuts you gobble on the flight may have 10 grams. Hotel minibars are no better: A small bag of chocolate-chip cookies may have 20 grams of fat. Avoid temptation by packing your briefcase with low-fat snacks like pretzels, licorice or rice cakes. When you're on the run, substitute a turkey sandwich for that fatty wiener, but replace the mayo (11 grams of fat per tablespoon) with mustard (it's fat-free).

> The U.S. DOLLAR isn't the colossus it once was, so American business executives must shop cautiously when they travel OVERSEAS.

Leave a message at the tone.

Even with the widespread availability of voice mail and answering machines, time-zone differences vex business travelers trying to make contact with their home or office. AT&T True Messages (800-TRUE-123) eliminates the time problem: One phone call allows you to pre-record a message, then schedule it for delivery any time you wish.

Safety and security is your job.

A new survey conducted by the Air Travel Card reveals that 74% of corporations educate their employees about travel safety and security. But the ultimate responsibility for on-the-road safety rests with you. Take some simple steps: Pack your own luggage and never let it out of your sight; never use your business card as a luggage tag; don't flaunt your credit cards, jewelry or cash; and always carry photographic identification.

Author Joe Brancatelli is travel adviser to Travel Holiday *magazine and is a business-travel columnist for several national magazines.*

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The original Fairmont entranceway, circa 192

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Afternoon tea is a tradition at The Fairmont

Because why settle for a good hotel, when you can enjoy a grand one?

The Fairmont

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Name	Page	Residence	Age	Worth ($mil)	Primary sources
A					
Abele, John E.	222	Boston area	58	400	Medical devices
Abraham, S. Daniel ■	316	West Palm Beach, Florida	71		Slim-Fast
Abramson, Leonard	210	Blue Bell, Pennsylvania	62	560	U.S. Healthcare
Ackerman, Peter	268	London, England	48	350	Junk bonds
Adelson, Sheldon ★	266	Boston, Massachusetts; Las Vegas, Nevada	62	360	Trade shows
Albertson, Kathryn McCurry	150	Boise, Idaho	88	1,100	Albertson's, Inc.
Alfond family	283	Dexter, Maine		620	Shoes
Allen, Herbert	191	NYC	87	750	Stock market
Allen, Herbert Anthony	191	NYC	54	750	Stock market
Allen, Paul G.	110	Mercer Island, Washington	42	6,100	Microsoft
Andersen family	283	Bayport, Minnesota		650	Windows
Anderson, John Edward	212	Bel Air, California	78	550	Beverage distribution
Annenberg, Walter Hubert	113	Wynnewood, Pennsylvania; Rancho Mirage, California	87	3,400	Publishing
Anschutz, Philip Frederick	128	Denver, Colorado	55	2,000	Oil
Ansin, Edmund Newton ◊	262	Miami Beach, Florida	59	380	TV stations
Anthony, Barbara Cox	117	Honolulu, Hawaii	72	3,000	Inheritance (Cox Enterprises)
Arison, Micky ★	138	Bal Harbur, Florida.	46	1,400	Carnival Cruise Lines
Arrillaga, John	216	Palo Alto, California	58	500	Real estate
Asplundh family	283	Willow Grove, Pennsylvania		500	Tree trimming
Ashton, Alan C.	236	Orem, Utah	53	450	WordPerfect
Autry, Orvon Gene ■†	320	Los Angeles, California	88	320	Broadcasting
B					
Bacardi family	283	Puerto Rico; Miami et al.		1,500	Liquor
Bainum, Stewart ◊	208	Silver Spring, Maryland	76	570	Manor Care, Inc.
Ballmer, Steven Anthony	118	Bellevue, Washington	39	2,900	Microsoft
Barbey family	283	California et al.		640	Inheritance (VF Corp.)
Bass, Anne Hendricks	254	Forth Worth, Texas; NYC	54	395	Divorce
Bass, Edward Perry	198	Fort Worth, Texas	50	660	Investments
Bass, Lee Marshall	126	Fort Worth, Texas	39	2,000	Investments
Bass, Perry Richardson	210	Fort Worth, Texas	80	560	Oil
Bass, Robert Muse	126	Fort Worth, Texas	47	2,100	Investments
Bass, Sid Richardson	126	Fort Worth, Texas	52	1,800	Investments
Bastian, Bruce W. ■	316	Orem, Utah	47		WordPerfect
Batten, Frank Sr.	179	Virginia Beach, Virginia	68	810	Media
Bean (Gorman) family	284	Freeport, Maine		550	L.L. Bean
Bechtel, Riley P.	138	San Francisco, California	43	1,400	Engineering, construction
Bechtel, Stephen Davison Jr.	138	San Francisco, California	70	1,400	Engineering, construction
Behring, Kenneth Eugene	262	Blackhawk, California	67	380	Real estate
Belfer family	284	NYC		525	Oil
Bennett, William Gordon	220	Las Vegas, Nevada	70	500	Circus Circus Enterprises
Benson, Craig Robert	190	Rye, New Hampshire	41	630	Cabletron Systems
Berry, John William Sr.	210	Dayton, Ohio	73	560	Yellow Pages
Binger, Virginia McKnight	266	Wayzata, Minnesota	79	370	Inheritance (3M)
Blank, Arthur	200	Atlanta, Georgia	53	345	Home Depot
Blaustein family	284	Baltimore, Maryland		1,300	Inheritance (oil)
Bloch, Henry W.	266	Shawnee Mission, Kansas	73	360	H&R Block
Block family	284	NYC area		600	Block Drug Co.
Bloomberg, Michael Rubens	158	NYC	53	1,000	Financial news
Bose, Amar G.	220	Wayland, Massachusetts	65	500	Loudspeakers
Boudjakdji, Millicent V.	172	Los Angeles, California	55	450	Inheritance
Boyd, William Samuel	258	Las Vegas, Nevada	63	390	Casinos
Bredin, Octavia Mary du Pont	224	Greenville, Delaware	82	480	Inheritance (Du Pont Co.)
Breed, Allen Kent ■	316	South Padre Island, Texas	68		Airbags
Breed family	284	South Padre Island, Texas		430	Airbags
Bren, Donald Leroy	131	Newport Beach, California	63	2,000	Real estate
Brennan, Bernard F.	234	Chicago, Illinois	57	450	Montgomery Ward

★New entry. ◊ Returnee. ■ Dropout. †Near miss.

You're in good company in OH

This continuing series of Ohio business reports is a public-private partnership between the Ohio Department of Developme

THE SCOTTS COMPANY

Its beginnings 125 years ago were humble—a hardware store in Marysville, just northwest of Columbus.

The business started growing when O.M. Scott began cleaning seed for central Ohio farmers, then sprouted into a mail-order seed business and became the world's lawn-care leader.

Today, The Scotts Company is the world's foremost researcher, producer and marketer of products for do-it-yourself lawn care, professional turf care and horticulture.

Employing 2,500 associates, the company's 40 production facilities in the U.S. and Europe turn out more than 500 products, including controlled-release fertilizers, exclusive seed varieties, plant-protection products, organic garden products and spreaders.

Scotts' goal of $1 billion in sales by the year 2000 is supported by a three-part strategy.

First is strengthening the Scotts® brand through high-visibility sponsorship of showcase sports turf venues. Scotts is the official turf-care consultant of Major League Baseball, counts most of the top 100 golf courses in America among its 7,000 golf-course customers, and helped create and maintain the soccer fields for World Cup USA 1994.

Second is a commitment to research and development, the most extensive in the industry. Long an innovative, technology-driven company, Scotts chalked up firsts in the development of lawn fertilizer (in 1928), lawn weed control, patented Kentucky bluegrass seed, lawn spreaders, automated seed processing and packaging, and insect-resistant grasses.

"Our patented processes and technologies have played a pivotal role in the success of The Scotts Company," says President and CEO Theodore J. Host, "and continue to provide a major part of The Scotts Difference®."

"Scotts is growing internationally from our central Ohio headquarters."
Theodore J. Host, CEO, The Scotts Company

The third part of Scotts' strategy is to grow globally and through acquisitions. The company is currently cultivating Southeast Asia, where the growing popularity of golf courses makes the market particularly attractive, as well as nurturing a strong horticulture business in Europe.

During the past decade Scotts has acquired Hyponex, the leading organic garden products company; Republic Tool & Manufacturing, a spreader company; and the Grace-Sierra Horticultural Products Company, including the well-known Osmocote® brand.

Probably the most significant deal in Scotts' 125-year history was the May 1995 merger with privately held Stern's Miracle-Gro Products. That merger combines the two leading brands in the lawn and gard industry and should allow Scotts to rea the billion-dollar-sales goal well ahead schedule.

"Our demographics research tells Scotts has great growth ahead of it," sa Host. "For people 54 and older, the numbe one activity is gardening and the numbe seven activity is golf. We're the mark leader in products for both pastimes. By th year 2000 a million more people each ye will turn 54. That's an eno mous opportunity for us."

Scotts' performance i strong, with actual top-lin growth of 14.1% since 1989 an $606 million in sales last yea

After more than 12 years, Scotts is still firml rooted in Marysville. It is no only Scotts' corporate head quarters, but also a majo manufacturing center for th company and its flagshi R&D facility. "Our business i growing," says Host, "an our location in central Ohio continues t be one of our greatest assets."

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IO

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For two years in a row, Ohio has been rated the national leader in business development. The companies profiled here illustrate the diversity and strength of our economy. Read their stories and learn why so many companies choose to expand and grow in Ohio.

George V. Voinovich, Governor

ROCKY SHOES & BOOTS INC.

You have to look only as far as your feet know that most of the American shoe dustry is extinct. Some 85% of us are walk- g on foreign soles.

But one Appalachian Ohio company has oven that heavy doses of man- ement and marketing savvy n salvage a dying industry.

The Brooks family has ade shoes in Nelsonville op. 4,852), in the Hocking ver Valley of southeast Ohio, nce the 1930s. Through three enerations, the little com- any had struggled under eavy attack by imports and atched 600 domestic shoe ants shut their doors.

"We found a way to make the shoe business work in the U.S."
Mike Brooks,
President and CEO,
Rocky Shoes & Boots Inc.

Today Rocky Shoes & oots isn't struggling; it has solid share of the specialty market.

"We're past the survival stage," says like Brooks, president and CEO. "We've engineered from top to bottom—the way e market, manufacture and move our raw aterials."

Rocky's first strategy was to create footwear no foreign competitor could copy. Several production lines use Gore-Tex, the membrane that lets moisture escape but keeps water out. Rocky—one of very few Gore-Tex licensees —is the world's biggest user of the patented fabric in footwear.

A second strategy involved a new distribution network. Formerly selling under the demanding rules set by department stores, Rocky now markets mostly through sporting goods stores. Approving outdoorsmen, hunters and backpackers ante up for the higher-priced boots.

The antique facade of the Nelsonville factory belies the modern manufacturing and management techniques that have turned the once-obscure company into a NASDAQ-traded, 1,000-employee comer.

Funds from an IPO in 1993 were quickly invested in new machinery and management education.

Brooks scrapped the old piecework concept. Heeding the advice of local Ohio University consultants, he built compensation packages that reward team effort.

"An employee used to perform one task," says Brooks, "and completion of the whole was not his problem. Now we've set everyone up in U-shaped teams, with each associate trained to help others. In the old system there was no incentive to help anyone."

Brooks doesn't mind that associates watch the clock—in fact, that's part of the grand plan.

"Clocks measure production against engineered goals," says Brooks. "If the associates complete the day's plan early, they go home early. If they're behind, there's an extra push. Now I look back and ask, 'Why would you make something any other way?' "

While robots are used for some operations, each of the million pair of boots Rocky turns out annually is handcrafted in more than 175 steps. It used to take three weeks to make a pair of boots; now it is completed in about two days.

Two offshore factories build "uppers" to supplement production in Nelsonville. The Ohio factory fashions the "bottoms" and finishes the footwear. The arrangement protects Nelsonville's 300 jobs and allows the company to place the proud "Made in the USA" label on its footwear.

America's First Frontier — OHIO — America's Best Opportunity

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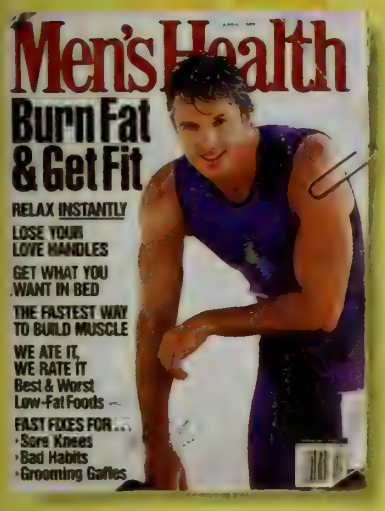
800-451-2121
- ATHENS COUNTY DEVELOPMENT
614-594-2251
- OHIO DEVELOPMENT OPPORTUNITIES
800-345-OHIO

Name	Page	Residence	Age	Worth ($mil)	Primary sources
B					
Brittingham family	284	Mexico; Dallas, Texas		500	Dal-Tile Group
Broad, Eli	184	Los Angeles, California	62	800	Home building
Bronfman, Edgar Miles	120	NYC	66	2,700	Seagram Co.
Brown family	284	Louisville, Kentucky		1,300	Whiskey
Brown, Jack Eugene	268	Midland, Texas	70	350	Oil
Buffett, Susan Thompson	176	San Francisco, California	63	900	Berkshire-Hathaway
Buffett, Warren Edward	109	Omaha, Nebraska	65	11,800	Stock market
Busch family	284	St. Louis, Missouri		1,300	Anheuser-Busch
Butler, Sarah Turner	238	Columbus, Georgia	75	435	Inheritance (Coca-Cola stock)
Butt, Charles C.	202	San Antonio, Texas	57	600	Supermarkets
C					
Cafaro, William Michael	201	Hubbard, Ohio	82	600	Shopping malls
Campbell family	286	Hawaii		850	Real estate
Cargill, James R.	142	Minneapolis, Minnesota	71	1,200	Cargill, Inc.
Cargill, Margaret	142	La Jolla, California	75	1,200	Cargill, Inc.
Carlson, Curtis LeRoy	160	Long Lake, Minnesota	81	1,000	Radisson
Carter family	286	Dallas, Texas		640	Direct selling
Carver, Lucille	240	Muscatine, Iowa	78	430	Inheritance (Bandag, Inc.)
Chambers, Anne Cox	117	Atlanta, Georgia	75	3,000	Inheritance (Cox Enterprises)
Chan, Ronnie ★	178	Hong Kong	45	860	Real estate
Chandler family	286	Los Angeles et al.		1,600	Times Mirror Co.
Checchi, Alfred A. ★	228	Los Angeles; Minneapolis, Minnesota	47	425	Leveraged buyouts
Clapp family	286	Seattle, Washington		1,200	Inheritance (Weyerhaeuser)
Clark family	290	Cooperstown, New York		550	Singer Manufacturing Co.
Clark, James H. ★	222	Woodside, California	51	485	Netscape
Clayton, James Lee	264	Knoxville, Tennessee	61	375	Mobile homes
Close family	290	Fort Mill, South Carolina		480	Textiles
Cohn, Seymour ■	316	Palm Beach County, Florida	84		Real estate
Collier family	290	Naples, Florida		1,300	Real estate
Comer, Gary Campbell	240	Chicago, Illinois	66	430	Lands' End
Connell, Grover	232	Westfield, New Jersey	77	460	Equipment leasing
Cook, Jane Bancroft	237	Cohasset, Massachusetts; Sarasota, Florida	83	440	Inheritance (Dow Jones)
Cook, Scott ★	270	Menlo Park, California	42	350	Intuit
Cook, William A.	192	Bloomington, Indiana	64	750	Medical supplies
Cooke, Jack Kent	194	Middleburg, Virginia	82	700	Real estate
Cooke, Phoebe Hearst	172	San Francisco, California	68	450	Inheritance
Coors family	290	Golden, Colorado		770	Beer
Copley, Helen Kinney	200	La Jolla, California	72	650	Publishing
Corn, Elizabeth Turner	238	Columbus, Georgia	69	435	Inheritance (Coca-Cola stock)
Cosby, William Henry Jr. ■†	318	Amherst, Massachusetts	58	335	Television
Coulter, Joseph R.	226	Miami area	70	460	Medical equipment
Coulter, Wallace Henry	226	Miami, Florida	70s	475	Medical equipment
Cowles family	290	Minneapolis; NYC et al.		530	Newspapers
Crown, Lester	134	Wilmette, Illinois	70	1,800	Inheritance
Cullen family	290	Houston, Texas		500	Oil
Cumming, Ian ★	272	Salt Lake City, Utah	54	345	Banking, insurance
D					
Damon family	290	Hawaii; California		700	Banking, real estate
Daniels, Robert William Jr. ■†	319	Denver, Colorado	75	325	Cable TV
Darden, Constance Simons du Pont	224	Norfolk, Virginia	91	480	Inheritance (DuPont Co.)
Dart, Robert ■	316	London, England	37		Dart Container
Dart, William A.	201	Sarasota, Florida	67	600	Dart Container
Davenport, Elizabeth Lupton	204	Lookout Mountain, Tennessee	62	600	Coca-Cola bottling
Davidson, William Morse	156	Bloomfield Hills, Michigan	72	1,000	Guardian Industries Corp.
Davidson family	290	Torrance, California		500	Software
Davis family	293	Jacksonville, Florida		1,900	Winn-Dixie Stores

★New entry. Returnee. ■Dropout. †Near miss.



ARTICLES FOR A TELEVISION ICON

CAN ANY WOMAN MEASURE UP TO YOUR MOM?
– December 1994 issue

LISTENING TO YOUR INNER CHILD
– July 1994 issue

WHAT'S IN A NAME?
– April 1994 issue

PEAKING TOO EARLY
– May 1993 issue

Jerry Mathers–"The Beaver"

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Name	Page	Residence	Age	Worth ($mil)	Primary sources
D					
Davis, Marvin Harold	130	Beverly Hills, California	70	2,000	Oil
Day, Robert Addison Jr.	241	NYC	51	420	Money management
Dayton family	293	Minneapolis, Minnesota		975	Dayton Hudson
DeBartolo, Edward John ■	314	Boardman, Ohio	deceased		Shopping centers
DeBartolo, Edward John Jr. ★	214	Youngstown, Ohio	49	520	Shopping centers
Dedman, Robert Henry Sr.	179	Dallas, Texas	69	850	Country clubs
Dell, Michael	192	Austin, Texas	30	740	Dell Computer Corp.
Demoulas family	293	Boston area		675	Supermarkets
DeVos, Richard Marvin	111	Ada, Michigan	69	4,300	Amway
Dillon family	293	Far Hills, New Jersey		650	Inheritance (Dillon, Read)
Disney, Roy Edward	200	Los Angeles, California	65	625	Inheritance (Walt Disney Co.)
Dixon, Fitz Eugene Jr.	251	Lafayette Hill, Pennsylvania	72	400	Inheritance
Dolan, Charles Francis	182	Oyster Bay, New York	69	810	Cable TV
Donnelley family	294	Chicago origin		1,400	R.R. Donnelley & Sons
Dorrance, Bennett	139	Paradise Valley, Arizona	49	1,200	Inheritance (Campbell Soup)
Dorrance, John T. III ■	316	Lyford Cay, Bahamas; Devil's Tower, Wyoming	51		Inheritance (Campbell Soup)
Druckenmiller, Stanley ★	268	NYC	43	350	Soros Fund Management
Duffield, David A. ★	204	Danville, California	55	600	PeopleSoft Inc.
du Pont (Pierre Samuel II) family	294	Wilmington, Delaware et al.		10,000	Inheritance (Du Pont Co.)
du Pont, Alexis Felix Jr.	230	Wilmington, Delaware	89	470	Inheritance (Du Pont Co.)
du Pont, Irénée Jr.	224	Montchanin, Delaware	75	480	Inheritance (Du Pont Co.)
du Pont, Willis Harrington	268	Palm Beach, Florida	59	350	Inheritance (Du Pont Co.)
Durst family	294	NYC		650	Real estate
Dyson, Charles Henry ■	316	NYC			Conglomerator
E					
Earhart, Anne Catherine Getty	208	Laguna Beach, California	43	570	Inheritance (oil)
Ebrahimi, Farhad Fred	270	Denver, Colorado	56	350	Quark Inc.
Edson, John Orin	196	Seattle, Washington	63	670	Boats
Egan, Richard J.	242	Hopkinton, Massachusetts	59	420	Computers
Eisner, Michael D.	232	Los Angeles, California	53	460	Walt Disney Co.
Ellis, Alpheus Lee	221	Tarpon Springs, Florida	89	490	Banking
Ellison, Lawrence Joseph	112	Atherton, California	51	4,200	Oracle Corp.
Engelhard, Jane B.	251	Far Hills, New Jersey	77	400	Inheritance
Engelstad, Ralph L.	245	Las Vegas, Nevada	65	400	Casino
F					
Farmer, Richard	214	Indian Hill, Ohio	60	525	Cintas Corp.
Feeney, Charles	172	London, England	64	910	Duty Free Shoppers
Feld, Kenneth	244	Potomac, Maryland	47	400	Circus
Field, Frederick W.(Ted)	191	Beverly Hills, California	43	750	Inheritance (Marshall Field & Co.)
Fireman, Paul	200	Newton, Massachusetts	51	615	Reebok
Fisher, Donald George	212	San Francisco, California	67	550	The Gap
Fisher, Doris F.	212	San Francisco, California	64	550	The Gap
Fisher, Lawrence	226	NYC	85	475	Real estate
Fisher, Max Martin	242	Franklin, Michigan	87	415	Oil
Fisher, Zachary	226	NYC	84	475	Real estate
Flagler family	294	Palm Beach, Florida et al.		500	Inheritance (Standard Oil)
Flatley, Thomas John ◇	252	Milton, Massachusetts	63	400	Real estate
Flinn, Lawrence Jr. ★	204	Greenwich, Connecticut	60	600	United Video Satellite Group
Flint, Lucile du Pont	224	Greenville, Delaware	80	480	Inheritance (Du Pont Co.)
Ford, Josephine ■†	318	Grosse Pointe Farms, Michigan	72	335	Inheritance (Ford Motor Co.)
Ford, William Clay	152	Grosse Pointe Shores, Michigan	70	1,000	Inheritance (Ford Motor Co.)
Franchetti, Anne ■	315	Seal Cove, Maine	70s		Textiles
Fribourg, Michel	152	NYC	82	1,100	Grain trader
Frist, Thomas F. Jr.	176	Nashville, Tennessee	57	875	Columbia/HCA Healthcare Corp.
Fritz, Lynn C. ★	234	San Francisco, California	52	450	Shipping agent
Frost, Phillip	217	Miami Beach, Florida	59	500	Pharmaceuticals

★New entry. ◇Returnee. ■Dropout. †Near miss.

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SANYO
MDC-2000

Sanyo brings together Mini Disc (MD), CD and tape playback capability in the MDC-2000. With this new Sanyo music system, recordings can be made wherever you go, from your favorite source. MDs are 1/4 the size of CDs with 74 minutes of digital quality music. A full function remote puts AM/FM tuner, tape, CD and MD controls at your fingertips.

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DEALERSCOPE MERCHANDISING

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Name	Page	Residence	Age	Worth ($mil)	Primary sources
G					
Gallo, Ernest	261	Modesto, California	86	380	Wine
Galvin, Robert William	136	Barrington Hills, Illinois	73	1,500	Motorola
Gates, Charles Cassius Jr.	198	Denver, Colorado	74	665	Gates Corp.
Gates, William Henry III	108	Bellevue, Washington	39	14,800	Microsoft
Gaylord, Edward Lewis	172	Oklahoma City, Oklahoma	76	940	Broadcasting
Geballe, Frances K.	205	Woodside, California	74	370	Levi Strauss
Geffen, David	139	Malibu, Beverly Hills, California	52	1,300	Music
Gerry, Alan	190	Liberty, New York	66	795	Cable TV
Getty, Caroline Marie	208	San Francisco, California	38	570	Inheritance (oil)
Getty, Eugene Paul (J. Paul Jr.)	179	London, England	63	840	Inheritance (oil)
Getty, Gordon Peter	135	San Francisco, California	61	1,600	Inheritance (oil)
Getty, Mark ■	316	London, England	35		Inheritance (oil)
Getty, Tara Gabriel Galaxy Gramaphone ■	316	London, England	27		Inheritance (oil)
Gill, Timothy E.	270	Denver, Colorado	41	350	Quark, Inc.
Glazer, Guilford	217	Beverly Hills, California	74	500	Real estate
Goizueta, Roberto Crispulo	198	Atlanta, Georgia	63	655	Coca-Cola
Goldman family	294	NYC area		600	Inheritance (real estate)
Goldman, Rhoda Haas	205	San Francisco, California	71	420	Levi Strauss
Goldsbury, Christopher (Kit) ★	184	San Antonio, Texas	52	800	Salsa
Gonda, Leslie L.	266	Beverly Hills, California	76	365	International Lease Finance Co.
Gonda, Louis L.	266	Beverly Hills, California	47	365	International Lease Finance Co.
Gore family	294	Newark, Delaware		800	Gore-Tex
Gottwald family	294	Richmond, Virginia		770	Ethyl Corp.
Graham family	295	Washington, D.C.		675	Washington Post Co.
Grainger, David William ■	316	Skokie, Illinois	67		Electrical equipment
Green, Pincus	186	Meggen, Switzerland	60	800	Commodities trading
Greenberg, Maurice (Hank)	154	NYC	70	1,000	American International Group
Guccione, Robert Charles Joseph Edward S. ■	316	NYC	63		Publishing
Gund family	295	Cleveland origin		1,900	Inheritance (Sanka, banking)
H					
Haas, John C.	201	Villanova, Pennsylvania	77	600	Rohm & Haas
Haas, Josephine B.	205	San Francisco, California	81	380	Levi Strauss
Haas, Peter E. Jr.	205	San Francisco, California	47	590	Levi Strauss
Haas, Peter Sr.	135	San Francisco, California	76	1,600	Levi Strauss
Haas, Robert D.	205	San Francisco, California	53	570	Levi Strauss
Haas, Walter A. Jr. ■	314	San Francisco, California	deceased		Levi Strauss
Haebler family	295	Milwaukee, Wisconsin		930	Int. Flavors and Fragrances
Hall, Donald Joyce	146	Mission Hills, Kansas	67	1,100	Inheritance (Hallmark)
Hamilton, Dorrance Hill	178	Wayne, Pennsylvania; Newport, Rhode Island	67	865	Inheritance (Campbell Soup)
Harbert, John Murdoch III ■	314	Birmingham, Alabama	deceased		Construction
Harbert, Raymond ★	205	Birmingham, Alabama	36	600	Inheritance
Hardie, Mary Jane Hoiles	250	Marysville, California	73	400	Publishing
Hascoe, Norman	268	Greenwich, Connecticut	66	350	Semiconductor materials
Hearst, Austin	172	NYC	43	450	Inheritance
Hearst, David Whitmire Jr.	172	Los Angeles, California	50	450	Inheritance
Hearst, George Randolph Jr.	172	Los Angeles, California	68	450	Inheritance
Hearst, Randolph Apperson	172	NYC	79	900	Inheritance
Hearst, William Randolph III	172	San Francisco, California	46	450	Inheritance
Heinz, Teresa	191	Fox Chapel, Pennsylvania; Washington, D.C.	56	760	Inheritance (H.J. Heinz Co.)
Helmsley, Harry Brakmann	135	NYC; Greenwich, Connecticut; Arizona	85	1,600	Real estate
Herb, Marvin	217	Chicago, Illinois	58	500	Coca-Cola bottler
Hess, Leon	194	NYC; Deal, New Jersey	81	700	Amerada Hess Corp.
Hewlett, William Redington	122	Portola Valley, California	82	2,700	Hewlett-Packard
Heyman, Samuel	248	NYC	56	400	GAF Corp.
Hill, Margaret Hunt	146	Dallas, Texas	79	1,100	Inheritance (oil)
Hillenbrand family	295	Batesville, Indiana et al.		1,200	Caskets, hospital beds
Hillman, Henry Lea	123	Pittsburgh, Pennsylvania	76	2,400	Industrialist
Hilton, William Barron	252	Holmby Hills, California	67	395	Hilton Hotels
Hixon family	296	Pasadena, California		1,200	Connectors

★New entry. ◇Returnee. ■Dropout. †Near miss.

Name	Page	Residence	Age	Worth ($mil)	Primary sources
H					
Hobby, Oveta Culp ■	314	Houston, Texas	deceased		Media
Hoiles, Harry Howard	250	Colorado Springs, Colorado	79	400	Publishing
Holding, Robert Earl	196	Salt Lake City, Utah; Cheyenne, Wyoming	68	675	Oil refining
Hollingsworth, John D.	221	Greenville, South Carolina	77	495	Textile machinery
Horvitz family	296	Cleveland, Ohio area; Fort Lauderdale, Florida		1,000	Inheritance (media)
Hostetter, Amos Barr Jr.	174	Boston, Massachusetts	58	900	Continental Cablevision
Houghton family	296	Corning, New York		530	Corning Glass Works
Howard, Robert Staples ■	316	Rancho Santa Fe, California	71		Publishing
Huber family	296	Rumson, New Jersey		500	J.M. Huber Corp.
Hughes family	296	California, Nevada		1,000	Hughes Aircraft
Huizenga, Harry Wayne	176	Fort Lauderdale, Florida	57	880	Blockbuster Entertainment
Huizenga, Peter †	319	Oakbrook, Illinois	56	320	Blockbuster Entertainment
Hunt, Caroline Rose	222	Dallas, Texas	72	490	Inheritance (oil)
Hunt, Johnnie Bryan ■	316	Goshen, Arkansas	68		Trucking
Hunt, Ray Lee	128	Dallas, Texas	52	2,000	Inheritance (oil)
Huntsman, Jon Meade	128	Salt Lake City, Utah	58	2,000	Plastics/chemicals
Hyde, Joseph Reeves III	238	Memphis, Tennessee	52	440	Auto parts
I					
Icahn, Carl Celian	220	NYC; Bedford, New York	59	500	Finance
Idema family	296	Grand Rapids, Michigan		1,000	Steelcase
Ilitch, Michael	202	Detroit, Michigan area	66	600	Pizza
Ingram, Erskine Bronson ■	314	Nashville, Tennessee	deceased		Distribution
Ingram, Martha R. ★	135	Nashville, Tennessee	60	1,700	Inheritance
J					
Jacobs, Jeremy Maurice	252	East Aurora, New York	55	400	Sports concessions
Jacobs, Richard E.	262	Lakewood, Ohio; NYC	70	380	Shopping centers
Jamail, Joseph Dahr Jr.	190	Houston, Texas	69	800	Lawsuits
Jannard, Jim ★	192	Irvine, California	46	750	Sunglasses
Jenkins family	296	Lakeland, Florida		1,000	Publix Super Markets
Johnson, family	296	Princeton, New Jersey		1,600	Johnson & Johnson
Johnson, Abigail ★	131	Boston, Massachusetts	33	1,900	Fidelity Investments
Johnson, Barbara Piasecka	174	Princeton, New Jersey	58	900	Inheritance (Johnson & Johnson)
Johnson, Charles B.	190	Hillsborough, California	62	790	Franklin Resources Inc.
Johnson, Edward Crosby III	131	Boston, Massachusetts	65	1,000	Fidelity Investments
Johnson, Rupert H. Jr.	190	Hillsborough, California	55	635	Franklin Resources Inc.
Johnson, Samuel Curtis	123	Racine, Wisconsin	67	2,300	Johnson Wax
Jones, Glenn Robert ■	316	Denver, Colorado	65		Cable TV
Jones, Jerral Wayne	262	Dallas, Texas	53	375	Oil and gas
Jones, Margaret ★	205	San Francisco area	40	400	Inheritance (Levi Strauss)
Jordan family	298	Boston origin		935	Inheritance (media, retailing)
K					
Kaiser, George B.	216	Tulsa, Oklahoma	53	500	Oil and gas
Kamins, Philip Evans	232	Beverly Hills, California	59	465	Plastics
Kauffman, Muriel ■	315	Mission Hills, Kansas	deceased		Inheritance
Keck, Howard Brighton	248	Los Angeles, California	82	400	Inheritance (Superior Oil Co.)
Keinath, Pauline MacMillan	182	St. Louis, Missouri	61	800	Cargill, Inc.
Kelly, William Russell	226	Fort Lauderdale, Florida	89	480	Kelly Services
Kerkorian, Kirk	122	Las Vegas, Nevada	78	2,700	Investments
Kimmel, Sidney	234	Philadelphia, Pennsylvania; NYC	66	460	Jones Apparel
Kleberg family	298	King Ranch, Texas		750	Inheritance
Kluge, John Werner	109	Charlottesville, Virginia; NYC	81	6,700	Metromedia
Knight, Philip Hampson	123	Portland, Oregon	57	2,400	Nike, Inc.
Koch, Charles de Ganahl	134	Wichita, Kansas	59	1,800	Inheritance (oil services)
Koch, David Hamilton	134	NYC	55	1,800	Inheritance (oil services)
Koch, Frederick Robinson	194	London, England; Monaco; NYC	61	500	Inheritance (oil services)
Koch, William Ingraham	194	Palm Beach, Florida	55	700	Inheritance (oil services)
Kohlberg, Jerome Spiegel Jr.	196	Mount Kisco, New York	70	665	Leveraged buyouts
Kohler family	298	Kohler, Wisconsin origin		750	Plumbing fixtures

★New entry. ↺Returnee. ■Dropout. †Near miss.

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THE CITIBANK PRIVATE BANK

Name	Page	Residence	Age	Worth ($mil)	Primary sources
K					
Koshland, Daniel E. Jr.	205	Lafayette, California	75	400	Levi Strauss
Kovner, Bruce	234	NYC	50	450	Trading
Kravis, Henry R.	184	NYC	51	800	Leveraged buyouts
Krehbiel, Frederick A.	212	Lisle, Illinois	54	460	Molex Inc.
Krehbiel, John Hammond Jr.	212	Lisle, Illinois	58	550	Molex Inc.
Kroc, Joan Beverly	135	Rancho Santa Fe, California	67	1,600	Inheritance (McDonald's)
Kroenke, Ann Walton ★	214	Columbia, Missouri	unknown	525	Inheritance (Wal-Mart)
L					
Landegger, family	298	NYC		700	Paper mills
Lauder, Estée	152	NYC	ageless	1,000	Cosmetics
Lauder, Leonard Alan	152	NYC	62	1,000	Cosmetics
Lauder, Ronald Steven	152	NYC	51	1,000	Cosmetics
Lauren, Ralph	240	NYC	56	430	Apparel
Laurie, Nancy Walton ★	214	Columbia, Missouri	unknown	525	Inheritance (Wal-Mart)
Lee, Thomas Haskell	201	Boston, Massachusetts	51	600	Leveraged buyouts
LeFrak, Samuel Jayson	150	NYC	77	1,100	Real estate
Lennon, Fred A.	158	Hunting Valley, Ohio	89	1,000	Valves, pipe fittings
Lerner, Alfred	158	Shaker Heights, Ohio	62	1,000	Banking
Levine, Stuart Robert	190	Stratham, New Hampshire	37	780	Cabletron Systems
Levy, Leon	272	NYC	70	340	Money manager
Lewis, Peter Benjamin	234	Beachwood, Ohio	61	450	Progressive Corp.
Lilly family	298	Indianapolis, Indiana		1,300	Pharmaceuticals
Lindemann, George	196	Wellington, Florida	59	670	Cable, cellular
Lindner, Carl Henry Jr.	200	Cincinnati, Ohio	76	650	Insurance
Littlefield, Edmund Wattis	244	Burlingame, California	81	400	Utah International
Litwin, Leonard	204	NYC	79	600	Real estate
Louis, John Jeffry ■	315	Winnetka, Illinois	deceased		Inheritance (Johnson Wax)
Louis family	298	Winnetka, Illinois		1,200	Inheritance
Lupton, John Thomas	204	Lookout Mountain, Tennessee	69	600	Coca-Cola bottling
Lykes family	298	Florida		1,000	Shipping
Lyon, Frank Jr.	235	Boca Raton, Florida; Little Rock, Arkansas	54	450	Bottling
M					
MacMillan, Cargill Jr.	182	Wayzata, Minnesota	68	800	Cargill, Inc.
MacMillan, John Hugh III	182	Hillsboro Beach, Florida	67	800	Cargill, Inc.
MacMillan, W. Duncan	182	Wayzata, Minnesota	65	800	Cargill, Inc.
MacMillan, Whitney	182	Minneapolis, Minnesota	66	800	Cargill, Inc.
Magness, Bob John	160	Englewood, Colorado	71	1,000	TCI
Malone, John C.	210	Parker, Colorado	54	560	Cable TV
Malone, Mary Alice Dorrance	139	Coatesville, Pennsylvania	45	1,200	Inheritance (Campbell Soup)
Mandel, Jack N.	230	Shaker Heights, Ohio	83	430	Premier Industrial Corp.
Mandel, Joseph C.	230	Lyndhurst, Ohio	81	440	Premier Industrial Corp.
Mandel, Morton L.	230	Shaker Heights, Ohio	74	470	Premier Industrial Corp.
Manoogian, Richard Alexander	214	Grosse Pointe Farms, Michigan	59	515	Masco Corp.
Marcus, Bernard	200	Atlanta, Georgia	66	630	Home Depot
Marion, Anne Windfohr	251	Fort Worth, Texas	56	400	Inheritance
Marks, Nancy Smith Lurie	241	Chestnut Hill, Massachusetts	60s	425	Harcourt General Inc.
Marriott, John Willard Jr.	238	Washington, D.C. area	63	425	Hotels
Marriott, Richard Edwin	238	Washington, D.C. area	56	430	Hotels
Mars, Forrest Edward Jr.	117	McLean, Virginia	64	3,000	Inheritance (candy)
Mars, Forrest Edward Sr.	117	Las Vegas, Nevada	80s	3,000	Inheritance (candy)
Mars, John Franklyn	117	Arlington, Virginia	59	3,000	Inheritance (candy)
Marshall, Barbara Hall	213	Kansas City, Missouri	71	550	Inheritance (Hallmark)
Marshall, James Howard II ■	315	Houston, Texas	deceased		Oil
Marshall, James Howard III ★	262	Pasadena, California	59	375	Inheritance (oil)
Marshall, E. Pierce ★	262	Dallas, Texas	56	375	Inheritance (oil)
Mathile, Clayton Lee	241	Dayton, Ohio	54	420	Pet food
May, Cordelia Scaife	201	Ligonier, Pennsylvania	67	600	Inheritance
May, Irene Sophie du Pont	224	Wilmington, Delaware	94	480	Inheritance (Du Pont Co.)
McCaw, Bruce R.	192	Bellevue, Washington	48	715	McCaw Cellular

★New entry. ˆ Returnee. ■ Dropout. ↑Near miss.

Name	Page	Residence	Age	Worth ($mil)	Primary sources
M					
McCaw, Craig O.	150	Bellevue, Washington	46	1,100	McCaw Cellular
McCaw, John Elroy Jr.	192	Seattle, Washington	44	670	McCaw Cellular
McCaw, Keith W.	192	Seattle, Washington	42	695	McCaw Cellular
McClatchy family	298	Sacramento, California		500	Newspapers
McCormack, Mark Hume ★	216	Cleveland, Ohio; NYC	64	500	International Management Group
McEvoy, Nan Tucker	266	San Francisco, California	76	360	Publishing
McGlothlin, James	245	Bristol, Tennessee	54	400	Coal
McGovern, Patrick Joseph	204	Nashua, New Hampshire	58	600	Publishing
McGraw family	300	NYC		790	McGraw-Hill
McLane, Robert Drayton Jr. ■	315	Temple, Texas	59		Grocery distribution
Mead family	300	Wisconsin Rapids, Wisconsin		1,000	Consolidated Papers
Meijer family	300	Grand Rapids, Michigan		1,200	Retailing
Mellon family	300	Pittsburgh, Pennsylvania area		5,400	Inheritance
Mellon, Paul	144	Upperville, Virginia	88	1,100	Inheritance
Menard, John R. Jr.	195	Eau Claire, Wisconsin	55	700	Home improvement
Mennen family	300	Morristown, New Jersey		940	The Mennen Co.
Milken, Lowell Jay	216	Los Angeles, California	46	400	Junk bonds
Milken, Michael Robert	216	Los Angeles, California	49	500	Junk bonds
Miller, Sydell ★	226	Cleveland area	57	480	Hairdressing
Milliken, Gerrish ■	315	Greenwich, Connecticut	78		Textiles
Milliken, Roger	210	Spartanburg, South Carolina	79	560	Textiles
Mills, Alice Francis du Pont	230	Middleburg, Virginia	82	470	Inheritance (Du Pont Co.)
Milstein, Monroe Gary	271	Burlington, New Jersey	68	350	Burlington Coat Factory
Miner, Robert N. ■	315	San Francisco, California	deceased		Oracle Corp.
Mitchell, George Phydias	217	Houston, Texas	76	500	Oil and gas
Monaghan, Thomas Stephen	220	Ann Arbor, Michigan	58	500	Domino's Pizza
Moncrief, William Alvin (Tex) Jr. ■	316	Fort Worth, Texas	75		Oil and gas
Moore, Gordon Earle	120	Santa Clara County, California	66	2,800	Intel Corp.
Moores, John Jay †	318	Sugar Land, Texas	51	340	Software
Moran, James Martin	179	Hillsboro Beach, Florida	77	850	Toyotas
Munger, Charles Thomas	224	Los Angeles, California	71	480	Berkshire Hathaway
Murdoch, Keith Rupert	116	Australia; London, England; NYC et al.	64	3,300	Publishing
Murdock, David Howard	174	Bel Air, California	72	900	Real estate
Murphy, Charles H. Jr. ■	316	El Dorado, Arkansas	75		Murphy Oil
Murphy family	302	El Dorado, Arkansas		510	Inheritance
N					
Naify, Marshall	202	San Francisco, California	75	385	Movie theaters
Naify, Robert Allen	202	San Francisco, California	73	600	Movie theaters
Newhouse, Donald Edward	111	NYC	65	4,300	Publishing
Newhouse, Samuel I. Jr.	111	NYC	67	4,300	Publishing
Nicholas, Peter M.	222	Boston area	54	485	Medical devices
Noorda, Raymond J.	200	Provo, Utah	71	615	Novell Inc.
Nordstrom family	302	Seattle, Washington		1,300	Retailing
Norris family	302	Marshalltown, Iowa origin		950	Lennox International
Norris, Diana Strawbridge	178	Palm Beach, Florida	56	435	Inheritance (Campbell Soup)
O					
O'Connor family	302	Victoria, Texas		570	Inheritance
Olde, Ernest J. ★	248	Detroit, Michigan	57	400	Discount stock broker
O'Neill family	302	Los Angeles area		525	Real estate
Opperman, Dwight Darwin ★	194	Egan, Minnesota	72	700	Legal publishing
P					
Packard, David	113	Los Altos Hills, California	83	3,700	Hewlett-Packard
Pamplin, Robert Boisseau Jr.	198	Lake Oswego, Oregon	54	650	Textiles
Pasculano, Lynne	236	NYC; Greenwich, Connecticut	54	450	UIS, Inc.
Pearson, Edith du Pont	268	Montchanin, Delaware	83	350	Inheritance (Du Pont Co.)
Peery, Richard Taylor	216	Palo Alto, California	55	500	Real estate
Peltz, Nelson	[illegible]	Bedford, New York; Palm Beach, Florida	53	635	Leveraged buyouts
Pennington, Claude (Doc) B.	[illegible]	Baton Rouge, Louisiana	95	550	Oil and gas

★New entry. †Returnee. ■Dropout. ·Near miss

Name	Page	Residence	Age	Worth ($mil)	Primary sources
P					
Pennington, William Norman	220	Reno, Nevada	72	460	Circus Circus Enterprises
Perdue, Franklin Parsons	191	Salisbury, Maryland	75	750	Chickens
Perelman, Ronald Owen	112	NYC	52	4,200	Leveraged buyouts
Perenchio, Andrew Jerrold	220	Bel Air, California	64	500	Television
Perot, Henry Ross	122	Dallas, Texas	65	2,600	Computer services
Perry, Claire Eugenia Getty	208	San Francisco area	41	570	Inheritance (oil)
Petersen, Robert Einar	248	Beverly Hills, California	69	400	Publishing
Petrie, Milton ■	315	NYC; Southampton, New York	deceased		Petrie Stores
Phipps, Howard Jr. ◊	262	Old Westbury, New York	61	375	Inheritance (Bessemer Trust)
Pictet, Marion MacMillan	182	Hamilton Beach, Bermuda	63	800	Cargill, Inc.
Pigott family	302	Bellevue, Washington		775	Inheritance (Paccar)
Pitcairn family	302	Bryn Athyn, Pennsylvania et al.		1,200	Inheritance (PPG Industries)
Pohlad, Carl Ray	179	Minneapolis, Minnesota	80	845	Banking
Posner, Victor	232	Miami Beach, Florida	77	460	Investments
Price, David G. †	320	Santa Monica, California	63	315	Real estate
Primm, Gary Ernest ■	316	Las Vegas, Nevada	55		Casinos
Primm family	302	Las Vegas, Nevada		760	Casinos
Pritt, Frank ★	217	Seattle, Washington	53	500	Attachmate Corp.
Pritzker, Jay Arthur	118	Chicago, Illinois	73	2,900	Financier
Pritzker, Robert Alan	118	Chicago, Illinois	69	2,900	Financier
Pulitzer family	306	St. Louis, Missouri		930	Inheritance (publishing)
Q					
Quadracci, Harry V. ★	239	Racine, Wisconsin	59	430	Printing
R					
Rainwater, Richard	182	Fort Worth, Texas	51	800	Investments
Rales, Mitchell ★	242	Washington, D.C.	38	410	Finance
Rales, Steven ★	242	Washington, D.C.	43	410	Finance
Redstone, Sumner Murray	110	Newton Centre, Massachusetts	72	4,800	Viacom, Inc.
Reed family	306	Seattle, Washington		1,300	Lumber, paper
Reid, Elizabeth Ann	213	Denton, Texas	73	550	Inheritance (Hallmark)
Reinhart, Dewayne B.	210	La Crosse, Wisconsin	75	550	Wholesale foods
Rich, Marc	186	Meggen, Switzerland	60	800	Commodities trading
Rich, Robert Edward Sr.	194	Buffalo, New York; Palm Beach, Florida	82	700	Food products
Richards family	306	Carrollton, Georgia		500	Wire and cable
Richardson family	306	Greensboro, North Carolina		870	Inheritance (Richardson-Vicks)
Riggio, Leonard ■	316	NYC	54		Barnes & Noble, Inc.
Rinker, Marshall Edison (Doc)	266	Palm Beach, Florida	90	370	Concrete
Roberts, George R.	184	San Francisco Bay area	51	800	Leveraged buyouts
Roberts, Ralph J.	232	Coatesville, Pennsylvania	75	460	Comcast Corp.
Robertson, Julian H. Jr. †	318	Long Island, New York	63	330	Money manager
Robinson, Jesse Mack	246	Atlanta, Georgia	72	400	Banking
Robinson family	306	Kuaui, Hawaii		500	Real estate
Rockefeller (John D.) family	306	NYC et al.		6,200	Inheritance (oil)
Rockefeller, David Sr.	138	NYC; Tarrytown, New York	80	1,300	Inheritance (oil)
Rockefeller, Laurance Spelman	142	NYC; Tarrytown, New York	85	1,200	Inheritance (oil)
Rockefeller, Winthrop Paul	146	Morrilton, Arkansas	46	1,100	Inheritance (oil)
Rollins family	306	Atlanta, Georgia; Wilmington, Delaware		785	Inheritance
Rowling, Reese McIntosh	192	Corpus Christi, Texas	67	740	Oil and gas
Ryan, Patrick George	216	Winnetka, Illinois	58	510	Insurance
S					
Sakioka, Katsumasa (Roy)	271	Costa Mesa, California	97	350	Real estate
Sammons family	308	Dallas, Texas		500	Inheritance
Sarofim, Fayez Shalaby	182	Houston, Texas	66	800	Money management
Saul, Bernard Francis II	262	Chevy Chase, Maryland	63	375	Inheritance
Scaife, Richard Mellon	184	Pittsburgh, Pennsylvania	62	800	Inheritance
Scharbauer, Clarence Jr.	268	Midland, Texas	70	350	Inheritance (oil, land)
Schneider, Donald J.	212	Green Bay, Wisconsin	59	550	Trucking
Schwab, Charles R.	179	Atherton, California	58	845	Charles Schwab Corp.

★New entry. ◊Returnee. ■Dropout. †Near miss.

Name	Page	Residence	Age	Worth ($mil)	Primary sources
S					
Schwan family	308	Marshall, Minnesota		1,200	Inheritance
Scott, Walter Jr. †	319	Omaha, Nebraska	64	325	Construction, telecommunications
Scripps (E.W.) family	308	Cincinnati origin		1,900	Inheritance (newspapers)
Scripps (J.E.) family	308	Detroit et al.		700	Inheritance (newspapers)
Searle family	308	Lake Forest, Illinois		1,000	Inheritance
Sharp, Bayard ■	316	Centreville, Delaware	82		Inheritance (Du Pont Co.)
Sharp, Hugh Rodney III	237	Wilmington, Delaware	60	440	Inheritance (Du Pont Co.)
Shoen family	308	Phoenix area; Nevada		580	U-Haul
Shorenstein, Walter Herbert	235	San Francisco, California	80	450	Real estate
Sidamon-Eristoff, Anne Phipps ◊	262	NYC	63	375	Inheritance (Bessemer Trust)
Simmons, Harold Clark	178	Dallas, Texas; Montecito, California	64	870	Investments
Simmons, Richard Paul	266	Sewickley, Pennsylvania	64	370	Allegheny Ludlum
Simon, Herbert ■	316	Indianapolis, Indiana; NYC et al.	61		Shopping centers
Simon, Melvin	213	Indianapolis, Indiana; NYC et al.	69	545	Shopping centers
Simplot, John Richard	123	Boise, Idaho	86	2,200	Potatoes
Singleton, Henry Earl	198	Beverly Hills, California	78	660	Teledyne
Skaggs, Leonard Samuel Jr.	195	Salt Lake City, Utah	72	690	American Stores Co.
Smith (Charles E.) family	308	Washington, D.C.		560	Real estate
Smith family	308	Chicago origin		2,200	Inheritance (Ill. Tool Works)
Smith, Athalie Irvine	268	Middleburg, Virginia; Corona Del Mar, California	62	360	Inheritance
Smith, Frederick Wallace	254	Memphis, Tennessee	51	395	Federal Express
Smith, O. Bruton ★	256	Charlotte, North Carolina	68	395	Speedway Motorsports, Inc.
Smith, Richard Alan	241	Chestnut Hill, Massachusetts	70	425	Harcourt General Inc.
Solheim, Karsten	271	Phoenix, Arizona	84	350	Golf clubs
Solomon, Russell	256	Sacramento, California	70	390	Tower Records
Solow, Sheldon Henry	270	NYC	67	350	Real estate
Sommer, Viola	238	NYC	74	440	Inheritance (real estate)
Sorenson, James LeVoy	146	Salt Lake City, Utah	74	1,100	Medical devices
Soros, George	154	London, England; NYC	65	1,000	Money manager
Spangler, Clemmie Dixon Jr.	186	Chapel Hill, North Carolina	63	800	Investments
Spanos, Alexander Gus	259	Stockton, California	73	385	Construction
Speer, Roy M.	256	Freeport, Bahamas	63	390	Home Shopping Network
Spelling, Aaron ■	316	Holmby Hills, California	72		Television
Spielberg, Steven Allen	194	Pacific Palisades, California; East Hampton, New York	47	700	Movies
Stanley, John R.	221	Houston, Texas	56	500	Gas
Stein, Jay ■	316	Jacksonville, Florida	49		Stein Mart
Steinberg, Saul Phillip	261	NYC	56	380	Financier
Stempel, Ernest E.	213	Hamilton, Bermuda	79	535	American International Group
Stephens, Jackson Thomas	191	Little Rock, Arkansas	72	750	Investment banking
Stern, Leonard Norman	174	NYC	57	900	Pet supplies
Stowers, James Evans Jr.	226	Kansas City, Missouri	71	475	Mutual funds
Strawbridge, George Jr.	178	Chester County, Pennsylvania	57	445	Inheritance (Campbell Soup)
Stryker family	310	Kalamazoo, Michigan		540	Inheritance
Stuart family	310	Seattle, Washington		750	Inheritance (Carnation Co.)
Subotnick, Stuart ★	268	NYC	53	350	Metromedia
Sulzberger family	310	NYC		490	New York Times
Sun, David ★	264	Fountain Valley	44	370	Kingston Technology
Swig family	310	San Francisco		525	Real estate
T					
Taper, Sydney Mark ■	315	Beverly Hills, California	deceased		First Charter Financial Corp.
Tate, Jack P. ★	228	Greenville, South Carolina	51	475	Baby SuperStore
Taubman, A. Alfred	240	Bloomfield Hills, Michigan; NYC	70	430	Shopping centers
Taylor family	310	Boston origin		600	Inheritance (publishing)
Taylor, Jack Crawford	156	St. Louis, Missouri	73	1,000	Auto rentals
Teel, Joyce Raley	241	West Sacramento, California	64	425	Supermarkets
Temple family	310	Diboll, Texas origin		860	Inheritance (timber)
Terra, Daniel James	190	Northbrook, Illinois	84	790	Lawter International
Thorne, Oakleigh Blakeman ◊	271	Millbrook, New York	63	345	Commerce Clearing House

★New entry. ◊Returnee. ■Dropout. †Near miss.

Name	Page	Residence	Age	Worth ($mil)	Primary sources
T					
Tisch, Laurence Alan	139	Westchester County, New York	72	1,300	Loews Corp.
Tisch, Preston Robert	139	NYC; Harrison, New York	69	1,300	Loews Corp.
Tu, John ★	264	Fountain Valley, California	54	370	Kingston Technology
Turner, Robert Edward (Ted)	134	Roswell, Georgia	56	1,900	Turner Broadcasting System Inc.
Turner, William B.	238	Columbus, Georgia	72	435	Inheritance (Coca-Cola stock)
Tyson, Barbara	171	Fayetteville, Arkansas	46	785	Tyson Foods
Tyson, Donald John	171	Springdale, Arkansas	65	975	Tyson Foods
U					
Udvar-Hazy, Steven Ferencz	264	Beverly Hills, California	49	375	International Lease Finance Corp.
Ueltschi, Albert Lee	217	Irving, Texas	78	500	FlightSafety International
Unanue family	310	Secaucus, New Jersey		480	Goya Foods
Upjohn family	310	Kalamazoo, Michigan		1,000	Inheritance (Upjohn Co.)
V					
Van Andel, Jay	111	Ada, Michigan	71	4,300	Amway
van Beuren, Hope Hill	178	NYC; Newport, Rhode Island	61	815	Inheritance (Campbell Soup)
Vinciarelli, Patrizio ★	220	Boston, Massachusetts	48	500	Vicor Corp.
Vogel, Jacqueline Mars	117	Bedminster, New Jersey	55	3,000	Inheritance (candy)
W					
Wagner, Cyril Jr.	268	Midland, Texas	61	350	Oil
Waitt, Norman W.	202	North Sioux City, South Dakota	41	600	Gateway 2000
Waitt, Theodore W.	160	North Sioux City, South Dakota	32	1,000	Gateway 2000
Walton, Alice L.	112	Rogers, Arkansas	46	4,300	Inheritance (Wal-Mart Stores)
Walton, Helen	112	Bentonville, Arkansas	76	4,300	Inheritance (Wal-Mart Stores)
Walton, James Lawrence ■	315	Bentonville, Arkansas	deceased		Wal-Mart Stores
Walton, Jim C.	112	Bentonville, Arkansas	47	4,300	Inheritance (Wal-Mart Stores)
Walton, John T.	112	San Diego, California	49	4,300	Inheritance (Wal-Mart Stores)
Walton, S. Robson	112	Bentonville, Arkansas	51	4,300	Inheritance (Wal-Mart Stores)
Wang, Charles B. ★	244	NYC	51	410	Computer Associates
Ward, Louis Larrick ■	314	Kansas City, Missouri	76		Russell Stover Candies
Ward family	312	Kansas City, Missouri		500	Russell Stover Candies
Washington, Dennis	186	Missoula, Montana; Palm Springs, California	61	800	Mining
Wasserman, Lewis Robert	245	Palm Springs, Beverly Hills, California	82	400	MCA
Watson family	312	Southern California origin		560	Real estate
Weber, Charlotte Colket	178	Ocala, Florida; NYC	52	875	Inheritance (Campbell Soup)
Weis, Robert Freeman	266	Sunbury, Pennsylvania	76	365	Weis Markets
Weis, Sigfried ■	315	Lewisburg, Pennsylvania	deceased		Weis Markets
Wexner, Bella ■	316	Columbus, Ohio	86		The Limited, Inc.
Wexner, Leslie Herbert	144	New Albany, Ohio; NYC	58	1,200	The Limited, Inc.
Weyerhaeuser family	312	St. Paul, Minnesota; Tacoma, Washington		1,200	Inheritance (timber)
White, Dean V. †	319	Merrillville, Indiana	72	325	Real estate
Whitney, Betsey Cushing Roosevelt	202	Long Island, New York	87	600	Inheritance
Whittier family	312	Southern California		800	Inheritance (oil)
Williams, Ariadne Getty ■	316	Los Angeles, California	33		Inheritance (oil)
Wilmot family	312	Rochester, New York		700	Shopping centers
Wilson, Gary L. ★	228	Los Angeles, California	55	475	Leveraged buyouts
Winfrey, Oprah Gail ★	272	Chicago, Illinois	41	340	Television
Wirtz family	312	Chicago, Illinois		560	Real estate
Wolfe family	312	Columbus, Ohio		500	Media
Wrigley, William	136	Chicago; Lake Geneva, Wisconsin	62	1,500	Chewing gum
Y					
Yates family	312	Artesia, New Mexico		600	Oil
Z					
Zell, Samuel	171	Chicago, Illinois	54	975	Real estate
Ziff, Daniel Morton	196	NYC	23	666	Inheritance (publishing)
Ziff, Dirk Edward	196	NYC	31	666	Inheritance (publishing)
Ziff, Robert David	196	NYC	29	666	Inheritance (publishing)

★New entry. ◇Returnee ■Dropout. †Near miss.

Name	City	Worth ($mil)	Page
Alabama			
Harbert, John Murdoch III ■	Birmingham		314
Harbert, Raymond ★	Birmingham	600	205
Arizona			
Dorrance, Bennett	Paradise Valley	1,200	139
Shoen family	Phoenix area	650	308
Solheim, Karsten	Phoenix	350	271
Arkansas			
Hunt, Johnnie Bryan ■	Goshen		316
Murphy, Charles H. Jr. ■	El Dorado		316
Murphy family	El Dorado	510	302
Rockefeller, Winthrop Paul	Morrilton	1,100	146
Stephens, Jackson Thomas	Little Rock	750	191
Tyson, Barbara	Fayetteville	785	171
Tyson, Donald John	Springdale	975	171
Walton, Alice L.	Rogers	4,300	112
Walton, Helen	Bentonville	4,300	112
Walton, James Lawrence ■	Bentonville		315
Walton, Jim C.	Bentonville	4,300	112
Walton, S. Robson	Bentonville	4,300	112
California			
Anderson, John Edward	Bel Air	550	212
Arrillaga, John	Palo Alto	500	216
Autry, Orvon Gene ■†	Los Angeles	320	320
Barbey family	California et al.	600	283
Bechtel, Riley P.	San Francisco	1,400	138
Bechtel, Stephen Davison Jr.	San Francisco	1,400	138
Behring, Kenneth Eugene	Blackhawk	380	262
Boudjakdji, Millicent V.	Los Angeles	450	172
Bren, Donald Leroy	Newport Beach	2,000	131
Broad, Eli	Los Angeles	800	184
Buffett, Susan Thompson	San Francisco	900	176
Cargill, Margaret	La Jolla	1,200	142
Chandler family	Los Angeles et al.	1,600	286
Checchi, Alfred A. ★	Los Angeles	425	228
Clark, James H. ★	Woodside	485	222
Cook, Scott ★	Menlo Park	350	270
Cooke, Phoebe Hearst	San Francisco	450	172
Copley, Helen Kinney	La Jolla	650	200
Davidson family	Torrance	500	290
Davis, Marvin Harold	Beverly Hills	2,000	130
Disney, Roy Edward	Los Angeles	625	200
Duffield, David A. ★	Danville	600	204
Earhart, Anne Catherine Getty	Laguna Beach	570	208
Eisner, Michael D.	Los Angeles	460	232
Ellison, Lawrence Joseph	Atherton	4,200	112
Field, Frederick W.(Ted)	Beverly Hills	750	191
Fisher, Donald George	San Francisco	550	212
Fisher, Doris F.	San Francisco	550	212
Fritz, Lynn C. ★	San Francisco	450	234
Gallo, Ernest	Modesto	380	261
Geballe, Frances K.	Woodside	370	205
Geffen, David	Malibu	1,300	139
Getty, Caroline Marie	San Francisco	570	208
Getty, Gordon Peter	San Francisco	1,600	135
Glazer, Guilford	Beverly Hills	500	217
Goldman, Rhoda Haas	San Francisco	420	205
Gonda, Leslie L.	Beverly Hills	365	266
Gonda, Louis L.	Beverly Hills	365	266
Haas, Josephine B.	San Francisco	380	205
Haas, Peter E. Jr.	San Francisco	590	205
Haas, Peter Sr.	San Francisco	1,600	135
Haas, Robert D.	San Francisco	570	205
Haas, Walter A. Jr. ■	San Francisco		314
Hardie, Mary Jane Hoiles	Marysville	400	250
Hearst, David Whitmire Jr.	Los Angeles	450	172
Hearst, George Randolph Jr.	Los Angeles	450	172
Hearst, William Randolph III	San Francisco	450	172
Hewlett, William Redington	Portola Valley	2,700	122
Hilton, William Barron	Holmby Hills	395	252
Hixon family	Pasadena	1,000	296
Howard, Robert Staples ■	Rancho Santa Fe		316
Jannard, Jim ★	Irvine	750	192
Johnson, Charles B.	Hillsborough	790	190
Johnson, Rupert H. Jr.	Hillsborough	635	190
Jones, Margaret ★	San Francisco area	400	205
Kamins, Philip Evans	Beverly Hills	465	232
Keck, Howard Brighton	Los Angeles	400	248
Koshland, Daniel E. Jr.	Lafayette	400	205
Kroc, Joan Beverly	Rancho Santa Fe	1,600	135
Littlefield, Edmund Wattis	Burlingame	400	244
Marshall, James Howard III ★	Pasadena	375	262
McClatchy family	Sacramento	500	298
McEvoy, Nan Tucker	San Francisco	360	266
Milken, Lowell Jay	Los Angeles	400	216
Milken, Michael Robert	Los Angeles	500	216
Miner, Robert N. ■	San Francisco		315
Moore, Gordon Earle	Santa Clara County	2,800	120
Munger, Charles Thomas	Los Angeles	480	224
Murdock, David Howard	Bel Air	900	174
Naify, Marshall	San Francisco	385	202
Naify, Robert Allen	San Francisco	600	202
O'Neill family	Los Angeles area	500	302
Packard, David	Los Altos Hills	3,700	113
Peery, Richard Taylor	Palo Alto	500	216
Perenchio, Andrew Jerrold	Bel Air	500	220
Perry, Claire Eugenia Getty	San Francisco	570	208
Petersen, Robert Einar	Beverly Hills	400	248
Price, David G. †	Santa Monica	315	320
Roberts, George R.	San Francisco Bay area	800	184
Sakioka, Katsumasa (Roy)	Costa Mesa	350	271
Schwab, Charles R.	Atherton	845	179
Shorenstein, Walter Herbert	San Francisco	450	235
Singleton, Henry Earl	Beverly Hills	660	198
Solomon, Russell	Sacramento	390	256
Spanos, Alexander Gus	Stockton	385	259
Spelling, Aaron ■	Holmby Hills		316
Spielberg, Steven Allen	Pacific Palisades	700	194
Sun, David ★	Fountain Valley	370	264
Swig family	San Francisco	485	310

★New entry † Returnee. ■ Dropout ◦Near miss

EUROPE'S MOST

This summer's issues of Portugal Telecom and Portucel Industrial, a world leader in paper pulp production, were both oversubscribed many times. Portugal Telecom, which serves 97% of the country, offered a $1 billion-plus minority stake, the largest of its kind ever made in a Portuguese company.

As a result, a growing number of institutional and other investors are exploring the potential of the Portuguese market for the first time. They are being impressed by what they find: a high-growth economy built on sound foundations, and a modern, technologically advanced stock exchange that equals the best in Europe for efficiency and transparency.

Buoyed by investment in infrastructure, industrial restructuring, privatization and the modernization of financial markets, Portugal is entering a new cycle of strong growth.

"All the right policies are in place to build a highly developed economy," says a senior economist at a European bank. "Growth in Portugal is being achieved against a healthy backdrop of political stability, fiscal discipline, a stable exchange rate, controlled inflation and low unemployment."

Economic expansion, accompanied by an explosion of Portugal's capital markets, has been matched by the evolution of the Lisbon Stock Exchange (BVL) into a top-class national exchange at the forefront of operating, technological and legislative developments in Europe.

Two of this year's most successful global equity offers were focused on the Lisbon Stock Exchange, a flourishing European market previously undiscovered by many international investors.

READY FOR THE FUTURE

The exchange's modernization was embodied in the BVL's move last year into a state-of-the-art complex in a new financial center taking shape in Lisbon, after operating for 225 years in an elegant 18th century building in the heart of the city.

"The new premises are a symbol of the BVL's commitment to maintaining a confident attitude towards the future and to providing the market with everything it needs to develop strongly and efficiently," says José Carlos Pestana Teixeira, the BVL's chief executive officer.

Reforms over the past three years include the adoption of a continuous trading system, a computerized national stock registration house and a new administrative law that governs insider trading, company disclosure rules and many other areas.

"Modernization has had a very productive impact," says Pestana Teixeira. "Investors now have a clear overall picture of the Portuguese market, and the liquidity of most securities has grown substantially."

The BVL performed better than any other European equity market in 1993 and was in second place in 1994. Share prices, as measured by the BVL's National General Index, rose by an average of 8% last year compared with 1993. In 1993, they rose 53% over the previous year. Total turnover, including bonds, increased 34% in 1994 and 97% in 1993.

An advanced computerized system for continuous trading, called Tradis, was introduced in September 1991. Every order is immediately executed if it matches an order for the same security already in the computer. Otherwise it is kept in the computer until matched by an appropriate order. The number of different trading prices is limitless.

EXCITING EXCHANGE

Tradis is run in close connection with a highly efficient clearing and settlement system that replaces the need for time-consuming paperwork with direct computer links. The Central Securities Depository manages and operates the registration and control of book-entry securities, as well as the deposit, custody and control of fundable securities.

This system ensures securities are transferred efficiently by means of a book-entry without any further formalities, eliminating delays between the physical clearing and financial settlement of any trade. Financial settlement is carried out by the Central Bank. The system enables book entries to be made from centralized computer records, rendering the settlement of stock exchange transactions safe and fast.

They are safe because there is only one clearing and settlement body, and fast because the computer system provides instantaneous access to the system and enables each transaction to be registered immediately.

MEETING ESSENTIAL CRITERIA

The BVL has achieved a high rate of growth and attracted strong interest from international investors because it meets the three fundamental criteria for building a competitive financial center:

- It is based in a country enjoying sustained economic growth, free from cyclical tensions, that is supported by a stable currency and a coherent tax policy.
- It is regulated according to a flexible legal framework that does not condition financial transactions and instruments, allowing for efficient investment of resources.

- It is supported by efficient banking and insurance systems and a healthy corporate sector that are all adequately supervised.

Additional elements for the success of the BVL include:

- Decreasing domestic interest rates, leading to a shift in investment away from fixed-income instruments such as bank deposits and debenture bonds to equity
- Increasing demand for Portuguese shares by international investors, driven by a rising confidence in the country and its capital markets
- The soundness of Portugal's external accounts and a stable exchange rate that have both contributed strongly to risk reduction
- The strong growth of Portuguese companies in the context of a financially and economically integrated Europe.

Development of the BVL has been further stimulated by Portugal's privatization program, as the Organization for Economic Cooperation and Development noted in a recent report.

"Overall, a total of Esc 1,000 billion ($6.8 billion), or nearly 9% of gross domestic product, has been raised from sales of state-owned companies since the country's privatization program began in 1989, making Portugal the third-largest privatizer in the OECD, after the UK and New Zealand," the OECD says.

It adds: "In the process, the state's weight in the economy has been reduced to 11% of GDP from 20% in 1989, while the capitalization of the Lisbon Stock Exchange (BVL) has increased by almost 35%."

BOLSA DE VALORES DE LISBOA

Name	City	Worth ($mil)	Page
California			
Taper, Sydney Mark ■	Beverly Hills		315
Teel, Joyce Raley	West Sacramento	425	241
Tu, John ★	Fountain Valley	370	264
Udvar-Hazy, Steven Ferencz	Beverly Hills	375	264
Walton, John T.	San Diego	4,300	112
Wasserman, Lewis Robert	Palm Springs	400	245
Watson family	Southern California origin	575	312
Whittier family	Southern California	750	312
Williams, Ariadne Getty ■	Los Angeles		316
Wilson, Gary L. ★	Los Angeles	475	228
Colorado			
Anschutz, Philip Frederick	Denver	2,000	128
Coors family	Golden	770	290
Daniels, Robert William Jr. ■†	Denver	325	319
Ebrahimi, Farhad Fred	Denver	350	270
Gates, Charles Cassius Jr.	Denver	665	198
Gill, Timothy E.	Denver	350	270
Hoiles, Harry Howard	Colorado Springs	400	250
Jones, Glenn Robert ■	Denver		316
Magness, Bob John	Englewood	1,000	160
Malone, John C.	Parker	560	210
Connecticut			
Flinn, Lawrence Jr. ★	Greenwich	600	204
Hascoe, Norman	Greenwich	350	268
Milliken, Gerrish ■	Greenwich		315
District of Columbia			
Graham family	Washington, D.C.	675	295
Marriott, John Willard Jr.	Washington, D.C. area	425	238
Marriott, Richard Edwin	Washington, D.C. area	430	238
Rales, Mitchell ★	Washington, D.C.	410	242
Rales, Steven ★	Washington, D.C.	410	242
Smith (Charles E.) family	Washington, D.C.	560	308
Delaware			
Bredin, Octavia Mary du Pont	Greenville	480	224
du Pont (Pierre Samuel II) family	Wilmington et al	10,000	294
du Pont, Alexis Felix Jr.	Wilmington	470	230
du Pont, Irénée Jr.	Montchanin	480	224
Flint, Lucile du Pont	Greenville	480	224
Gore family	Newark	800	294
May, Irene Sophie du Pont	Wilmington	480	224
Pearson, Edith du Pont	Montchanin	350	268
Sharp, Bayard ■	Centreville		316
Sharp, Hugh Rodney III	Wilmington	440	237
Florida			
Abraham, S. Daniel ■	West Palm Beach		316
Ansin, Edmund Newton ◇	Miami Beach	380	262
Arison, Micky ★	Bal Harbor	1,400	138
Cohn, Seymour ■	Palm Beach County		316
Collier family	Naples	1,300	290
Coulter, Joseph R.	Miami	460	226
Coulter, Wallace Henry	Miami	475	226

★New entry. ◇Returnee. ■Dropout. †Near miss.

Name	City	Worth ($mil)	Page
Florida			
Dart, William A.	Sarasota	600	201
Davis family	Jacksonville	1,900	293
du Pont, Willis Harrington	Palm Beach	350	268
Ellis, Alpheus Lee	Tarpon Springs	490	221
Flagler family	Palm Beach et al.	500	294
Frost, Phillip	Miami Beach	500	217
Huizenga, Harry Wayne	Fort Lauderdale	880	176
Jenkins family	Lakeland	1,000	296
Kelly, William Russell	Fort Lauderdale	480	226
Koch, William Ingraham	Palm Beach	700	194
Lindemann, George	Wellington	670	196
Lykes family	Florida	900	298
Lyon, Frank Jr.	Boca Raton	450	235
MacMillan, John Hugh III	Hillsboro Beach	800	182
Moran, James Martin	Hillsboro Beach	850	179
Norris, Diana Strawbridge	Palm Beach	435	178
Posner, Victor	Miami Beach	460	232
Rinker, Marshall Edison (Doc) Sr.	Palm Beach	370	266
Stein, Jay ■	Jacksonville		316
Weber, Charlotte Colket	Ocala	875	178
Georgia			
Blank, Arthur	Atlanta	345	200
Butler, Sarah Turner	Columbus	435	238
Chambers, Anne Cox	Atlanta	3,000	117
Corn, Elizabeth Turner	Columbus	435	238
Goizueta, Roberto Crispulo	Atlanta	655	198
Marcus, Bernard	Atlanta	630	200
Richards family	Carrollton	500	306
Robinson, Jesse Mack	Atlanta	400	246
Rollins family	Atlanta	785	306
Turner, Robert Edward (Ted)	Roswell	1,900	134
Turner, William B.	Columbus	435	238
Hawaii			
Anthony, Barbara Cox	Honolulu	3,000	117
Campbell family	Hawaii	850	286
Damon family	Hawaii	700	290
Robinson family	Kauai	500	306
Idaho			
Albertson, Kathryn McCurry	Boise	1,100	150
Simplot, John Richard	Boise	2,200	123
Illinois			
Brennan, Bernard F.	Chicago	450	234
Comer, Gary Campbell	Chicago	430	240
Crown, Lester	Wilmette	1,800	134
Donnelley family	Chicago origin	1,400	294
Galvin, Robert William	Barrington Hills	1,500	136
Grainger, David William ■	Skokie		316
Herb, Marvin	Chicago	500	217
Huizenga, Peter †	Oakbrook	320	319
Krehbiel, Frederick A.	Lisle	460	212
Krehbiel, John Hammond Jr.	Lisle	550	212
Louis, John Jeffry ■	Winnetka		315

Name	City	Worth ($mil)	Page
Illinois			
Louis family	Winnetka	1,200	298
Pritzker, Jay Arthur	Chicago	2,900	118
Pritzker, Robert Alan	Chicago	2,900	118
Ryan, Patrick George	Winnetka	510	216
Searle family	Lake Forest	900	308
Smith family	Chicago origin	1,700	308
Terra, Daniel James	Northbrook	790	190
Winfrey, Oprah Gail ★	Chicago	340	272
Wirtz family	Chicago	600	312
Wrigley, William	Chicago	1,500	136
Zell, Samuel	Chicago	975	171
Indiana			
Cook, William Alfred	Bloomington	750	192
Hillenbrand family	Batesville et al.	1,400	295
Lilly family	Indianapolis	1,200	298
Simon, Herbert ■	Indianapolis		316
Simon, Melvin	Indianapolis	545	213
White, Dean V. †	Merrillville	325	319
Iowa			
Carver, Lucille	Muscatine	430	240
Norris family	Marshalltown origin	800	302
Kansas			
Bloch, Henry W.	Shawnee Mission	360	266
Hall, Donald Joyce	Mission Hills	1,100	146
Kauffman, Muriel ■	Mission Hills		315
Koch, Charles de Ganahl	Wichita	1,800	134
Kentucky			
Brown family	Louisville	1,300	284
Louisiana			
Pennington, Claude (Doc) B.	Baton Rouge	550	213
Maine			
Alfond family	Dexter	620	283
Bean (Gorman) family	Freeport	600	284
Franchetti, Anne ■	Seal Cove		315
Maryland			
Bainum, Stewart ◇	Silver Spring	570	208
Blaustein family	Baltimore	1,300	284
Feld, Kenneth	Potomac	400	244
Perdue, Franklin Parsons	Salisbury	750	191
Saul, Bernard Francis II	Chevy Chase	375	262
Massachusetts			
Abele, John E.	Boston area	400	222
Adelson, Sheldon ★	Boston	360	266
Bose, Amar G.	Wayland	500	220
Cook, Jane Bancroft	Cohasset	440	237
Cosby, William Henry Jr. ■†	Amherst	335	318
Demoulas family	Boston area	675	293
Egan, Richard J.	Hopkinton	420	242

★New entry ◇ Returnee. ■ Dropout. †Near miss.

Name	City	Worth ($mil)	Page
Massachusetts			
Fireman, Paul	Newton	615	200
Flatley, Thomas John ◇	Milton	400	252
Hostetter, Amos Barr Jr.	Boston	900	174
Johnson, Abigail ★	Boston	1,900	131
Johnson, Edward Crosby III	Boston	1,000	131
Jordan family	Boston origin	925	298
Lee, Thomas Haskell	Boston	600	201
Marks, Nancy Smith Lurie	Brookline	425	241
Nicholas, Peter M.	Boston area	485	222
Redstone, Sumner Murray	Newton Centre	4,800	110
Smith, Richard Alan	Chestnut Hill	425	241
Taylor family	Boston origin	600	310
Vinciarelli, Patrizio ★	Andover	500	220
Michigan			
Davidson, William Morse	Bloomfield Hills	1,000	156
DeVos, Richard Marvin	Ada	4,300	111
Fisher, Max Martin	Franklin	415	242
Ford, Josephine ■†	Grosse Pointe Farms	335	318
Ford, William Clay	Grosse Pointe Shores	1,000	152
Idema family	Grand Rapids	945	296
Ilitch, Michael	Detroit area	600	202
Manoogian, Richard Alexander	Grosse Pointe Farms	515	214
Meijer family	Grand Rapids	1,200	300
Monaghan, Thomas Stephen	Ann Arbor	500	220
Olde, Ernest J. ★	Detroit	400	248
Scripps (J.E.) family	Detroit et al.	900	308
Stryker family	Kalamazoo	450	310
Taubman, A. Alfred	Bloomfield Hills	430	240
Upjohn family	Kalamazoo	985	310
Van Andel, Jay	Ada	4,300	111
Minnesota			
Andersen family	Bayport	500	283
Binger, Virginia McKnight	Wayzata	370	266
Cargill, James R.	Minneapolis	1,200	142
Carlson, Curtis LeRoy	Long Lake	1,000	160
Cowles family	Minneapolis	530	290
Dayton family	Minneapolis	970	293
MacMillan, Cargill Jr.	Wayzata	800	182
MacMillan, W. Duncan	Wayzata	800	182
MacMillan, Whitney	Minneapolis	800	182
Opperman, Dwight Darwin ★	Minneapolis	700	194
Pohlad, Carl Ray	Minneapolis	845	179
Schwan family	Marshall	1,200	308
Weyerhaeuser family	St. Paul	1,300	312
Missouri			
Busch family	St. Louis	1,300	284
Keinath, Pauline MacMillan	St. Louis	800	182
Kroenke, Ann Walton ★	Columbia	525	214
Laurie, Nancy Walton ★	Columbia	525	214
Marshall, Barbara Hall	Kansas City	550	213
Pulitzer family	St. Louis	725	306
Stowers, James Evans Jr.	Kansas City	475	226
Taylor, Jack Crawford	St. Louis	1,000	156
Ward, Louis Larrick ■	Kansas City		316
Ward family	Kansas City	500	312

Name	City	Worth ($mil)	Page
Montana			
Washington, Dennis	Missoula	800	186
Nebraska			
Buffett, Warren Edward	Omaha	11,800	109
Scott, Walter Jr. †	Omaha	325	319
Nevada			
Bennett, William Gordon	Las Vegas	500	220
Boyd, William Samuel	Las Vegas	390	258
Engelstad, Ralph L.	Las Vegas	400	245
Hughes family	California	1,000	296
Kerkorian, Kirk	Las Vegas	2,700	122
Mars, Forrest Edward Sr.	Las Vegas	3,000	117
Pennington, William Norman	Reno	460	220
Primm, Gary Ernest ■	Las Vegas		316
Primm family	Las Vegas	760	302
New Hampshire			
Benson, Craig Robert	Rye	630	190
Levine, Stuart Robert	Strathamshire	780	190
McGovern, Patrick Joseph	Nashua	600	204
New Jersey			
Connell, Grover	Westfield	460	232
Dillon family	Far Hills	650	293
Engelhard, Jane B.	Far Hills	400	251
Huber family	Rumson	500	296
Johnson, family	Princeton	1,600	296
Johnson, Barbara Piasecka	Princeton	900	174
Mennen family	Morristown	800	300
Milstein, Monroe Gary	Burlington	350	271
Unanue family	Secaucus	460	310
Vogel, Jacqueline Mars	Bedminster	3,000	117
New Mexico			
Yates family	Artesia	600	312
New York			
Allen, Herbert	NYC	750	191
Allen, Herbert Anthony	NYC	750	191
Belfer family	NYC	470	284
Block family	NYC area	600	284
Bloomberg, Michael Rubens	NYC	1,000	158
Bronfman, Edgar Miles	NYC	2,700	120
Clark family	Cooperstown	550	290
Day, Robert Addison Jr.	NYC	420	241
Dolan, Charles Francis	Oyster Bay	810	182
Druckenmiller, Stanley ★	NYC	350	268
Durst family	NYC	650	294
Dyson, Charles Henry ■	NYC		316
Fisher, Lawrence	NYC	475	226
Fisher, Zachary	NYC	475	226
Fribourg, Michel	NYC	1,100	152
Gerry, Alan	Liberty	795	190
Goldman family	NYC area	600	294
Greenberg, Maurice (Hank)	NYC	1,000	154

★New entry ◊ Returnee ■ Dropout. †Near miss

Name	City	Worth ($mil)	Page
New York			
Guccione, Robert Charles J.E.S. ■	NYC		316
Hearst, Austin	NYC	450	172
Hearst, Randolph Apperson	NYC	900	172
Helmsley, Harry Brakmann	NYC	1,600	135
Hess, Leon	NYC	700	194
Heyman, Samuel J.	NYC	400	248
Houghton family	Corning	470	296
Icahn, Carl Celian	Bedford	500	220
Jacobs, Jeremy Maurice	East Aurora	400	252
Koch, David Hamilton	NYC	1,800	134
Kohlberg, Jerome Spiegel Jr.	Mount Kisco	665	196
Kovner, Bruce	NYC	450	234
Kravis, Henry R.	NYC	800	184
Landegger, family	NYC	600	298
Lauder, Estée	NYC	1,000	152
Lauder, Leonard Alan	NYC	1,000	152
Lauder, Ronald Steven	NYC	1,000	152
Lauren, Ralph	NYC	430	240
LeFrak, Samuel Jayson	NYC	1,100	150
Levy, Leon	NYC	340	272
Litwin, Leonard	NYC	600	204
McGraw family	NYC	690	300
Newhouse, Donald Edward	NYC	4,300	111
Newhouse, Samuel I. Jr.	NYC	4,300	111
Pasculano, Lynne	NYC	450	236
Peltz, Nelson	Bedford	635	200
Perelman, Ronald Owen	NYC	4,200	112
Petrie, Milton ■	NYC		315
Phipps, Howard Jr. ◊	Old Westbury	375	262
Rich, Robert Edward Sr.	Buffalo	700	194
Riggio, Leonard ■	NYC		316
Robertson, Julian H. Jr. †	Long Island	330	318
Rockefeller (John D.) family	NYC	6,200	306
Rockefeller, David Sr.	NYC	1,300	138
Rockefeller, Laurance Spelman	NYC	1,200	142
Sidamon-Eristoff, Anne Phipps ◊	NYC	375	262
Solow, Sheldon Henry	NYC	350	270
Sommer, Viola	NYC	440	238
Steinberg, Saul Phillip	NYC	380	261
Stern, Leonard Norman	NYC	900	174
Subotnick, Stuart ★	NYC	350	268
Sulzberger family	NYC	470	310
Thorne, Oakleigh Blakeman ◊	Millbrook	345	271
Tisch, Laurence Alan	Westchester County	1,300	139
Tisch, Preston Robert	NYC	1,300	139
van Beuren, Hope Hill	NYC	815	178
Wang, Charles B. ★	NYC	410	244
Whitney, Betsey Cushing Roosevelt	Long Island	600	202
Wilmot family	Rochester	660	312
Ziff, Daniel Morton	NYC	666	196
Ziff, Dirk Edward	NYC	666	196
Ziff, Robert David	NYC	666	196

Name	City	Worth ($mil)	Page
North Carolina			
Richardson family	Greensboro	885	306
Smith, O. Bruton ★	Charlotte	395	256
Spangler, Clemmie Dixon Jr.	Chapel Hill	800	186
Ohio			
Berry, John William Sr.	Dayton	560	210
Cafaro, William Michael	Hubbard	600	201
DeBartolo, Edward John ■	Boardman		314
DeBartolo, Edward John Jr. ★	Youngstown	520	214
Farmer, Richard T.	Indian Hill	525	214
Gund family	Cleveland origin	1,900	295
Horvitz family	Cleveland area	900	296
Jacobs, Richard E.	Lakewood	380	262
Lennon, Fred A.	Hunting Valley	1,000	158
Lerner, Alfred	Shaker Heights	1,000	158
Lewis, Peter Benjamin	Beachwood	450	234
Lindner, Carl Henry Jr.	Cincinnati	650	200
Mandel, Jack N.	Shaker Heights	430	230
Mandel, Joseph C.	Lyndhurst	440	230
Mandel, Morton L.	Shaker Heights	470	230
Mathile, Clayton Lee	Dayton	420	241
McCormack, Mark Hume ★	Cleveland	500	216
Miller, Sydell ★	Cleveland area	480	226
Scripps (E.W.) family	Cincinnati origin	1,700	308
Wexner, Bella ■	Columbus		316
Wexner, Leslie Herbert	New Albany	1,200	144
Wolfe family	Columbus	480	312
Oklahoma			
Gaylord, Edward Lewis	Oklahoma City	940	172
Kaiser, George B.	Tulsa	500	216
Oregon			
Knight, Philip Hampson	Portland	2,400	123
Pamplin, Robert Boisseau Jr.	Lake Oswego	650	198
Pennsylvania			
Abramson, Leonard	Blue Bell	560	210
Annenberg, Walter Hubert	Wynnewood	3,400	113
Asplundh family	Willow Grove	500	283
Dixon, Fitz Eugene Jr.	Lafayette Hill	400	251
Haas, John C.	Villanova	600	201
Hamilton, Dorrance Hill	Wayne	865	178
Heinz, Teresa F.	Fox Chapel	760	191
Hillman, Henry Lea	Pittsburgh	2,400	123
Kimmel, Sidney	Philadelphia	460	234
Malone, Mary Alice Dorrance	Coatesville	1,200	139
May, Cordelia Scaife	Ligonier	600	201
Mellon family	Pittsburgh area	5,000	300
Pitcairn family	Bryn Athyn et al.	1,100	302
Roberts, Ralph J.	Coatesville	460	232
Scaife, Richard Mellon	Pittsburgh	800	184
Simmons, Richard Paul	Sewickley	370	266
Strawbridge, George Jr.	Chester County	445	178
Weis, Robert Freeman	Sunbury	365	266
Weis, Sigfried ■	Lewisburg		315

★New entry. Returnee. ■ Dropout. †Near miss.

Name	City	Worth ($mil)	Page
Puerto Rico			
Bacardi family	Puerto Rico	1,500	283
South Carolina			
Close family	Fort Mill	480	290
Hollingsworth, John D.	Greenville	495	221
Milliken, Roger	Spartanburg	560	210
Tate, Jack P. ★	Greenville	475	228
South Dakota			
Waitt, Norman W.	North Sioux City	600	202
Waitt, Theodore W.	North Sioux City	1,000	160
Tennessee			
Clayton, James Lee	Knoxville	375	264
Davenport, Elizabeth Lupton	Lookout Mountain	600	204
Frist, Thomas F. Jr.	Nashville	875	176
Hyde, Joseph Reeves III	Memphis	440	238
Ingram, Erskine Bronson ■	Nashville		314
Ingram, Martha R. ★	Nashville	1,700	135
Lupton, John Thomas	Lookout Mountain	600	204
McGlothlin, James	Bristol	400	245
Smith, Frederick Wallace	Memphis	395	254
Texas			
Bass, Anne Hendricks	Forth Worth	395	254
Bass, Edward Perry	Fort Worth	660	198
Bass, Lee Marshall	Fort Worth	2,000	126
Bass, Perry Richardson	Fort Worth	560	210
Bass, Robert Muse	Fort Worth	2,100	126
Bass, Sid Richardson	Fort Worth	1,800	126
Breed, Allen Kent ■	South Padre Island		316
Breed family	South Padre Island	430	284
Brown, Jack Eugene	Midland	350	268
Butt, Charles C.	San Antonio	600	202
Carter family	Dallas	400	286
Cullen family	Houston	500	290
Dedman, Robert Henry Sr.	Dallas	850	179
Dell, Michael	Austin	740	192
Goldsbury, Christopher (Kit) ★	San Antonio	800	184
Hill, Margaret Hunt	Dallas	1,100	146
Hobby, Oveta Culp ■	Houston		314
Hunt, Caroline Rose	Dallas	490	222
Hunt, Ray Lee	Dallas	2,000	128
Jamail, Joseph Dahr Jr.	Houston	800	190
Jones, Jerral Wayne	Dallas	375	262
Kleberg family	King Ranch	700	298
Marion, Anne Windfohr	Fort Worth	400	251
Marshall, James Howard II ■	Houston		315
Marshall, E. Pierce ★	Houston	375	262
McLane, Robert Drayton Jr. ■	Temple		315
Mitchell, George Phydias	Houston	500	217
Moncrief, William Alvin (Tex) Jr. ■	Fort Worth		316
Moores, John Jay †	Sugar Land	340	318
O'Connor family	Victoria	600	302
Perot, Henry Ross	Dallas	2,600	122

Name	City	Worth ($mil)	Page
Texas			
Rainwater, Richard	Fort Worth	800	182
Reid, Elizabeth Ann	Denton	550	213
Rowling, Reese McIntosh	Corpus Christi	740	192
Sammons family	Dallas	735	308
Sarofim, Fayez Shalaby	Houston	800	182
Scharbauer, Clarence Jr.	Midland	350	268
Simmons, Harold Clark	Dallas	870	178
Stanley, John R.	Houston	500	221
Temple family	Diboll origin	870	310
Ueltschi, Albert Lee	Irving	500	217
Wagner, Cyril Jr.	Midland	350	268
Utah			
Ashton, Alan C.	Orem	450	236
Bastian, Bruce W. ■	Orem		316
Cumming, Ian ★	Salt Lake City	345	272
Holding, Robert Earl	Salt Lake City	675	196
Huntsman, Jon Meade	Salt Lake City	2,000	128
Noorda, Raymond J.	Provo	615	200
Skaggs, Leonard Samuel Jr.	Salt Lake City	690	195
Sorenson, James LeVoy	Salt Lake City	1,100	146
Virginia			
Batten, Frank Sr.	Virginia Beach	810	179
Cooke, Jack Kent	Middleburg	700	194
Darden, Constance Simons du Pont	Norfolk	480	224
Gottwald family	Richmond	750	294
Kluge, John Werner	Charlottesville	6,700	109
Mars, Forrest Edward Jr.	McLean	3,000	117
Mars, John Franklyn	Arlington	3,000	117
Mellon, Paul	Upperville	1,100	144
Mills, Alice Francis du Pont	Middleburg	470	230
Smith, Athalie Irvine	Middleburg	360	268
Washington			
Allen, Paul G.	Mercer Island	6,100	110
Ballmer, Steven Anthony	Bellevue	2,900	118
Clapp family	Seattle	1,200	286
Edson, John Orin	Seattle	670	196
Gates, William Henry III	Seattle	14,800	108
McCaw, Bruce R.	Seattle	715	192
McCaw, Craig O.	Bellevue	1,100	150
McCaw, John Elroy Jr.	Seattle	670	192
McCaw, Keith W.	Seattle	695	192
Nordstrom family	Seattle	1,500	302
Pigott family	Bellevue	775	302
Pritt, Frank ★	Seattle	500	217
Reed, family	Seattle	1,000	306
Stuart family	Seattle	[illegible]	310
Wisconsin			
Haebler family	Milwaukee	830	295
Johnson, Samuel Curtis	Racine	2,300	123
Kohler family	Kohler origin	550	298

★New entry Returnee ■Dropout †Near miss.

Name	City	Worth ($mil)	Page
Wisconsin			
Mead family	Wisconsin Rapids	1,000	300
Menard, John R. Jr.	Eau Claire	700	195
Quadracci, Harry V. ★	Racine	430	239
Reinhart, Dewayne B.	La Crosse	550	210
Schneider, Donald J.	Green Bay	550	212
Australia			
Murdoch, Keith Rupert	Australia et al	3,300	116
Bahamas			
Dorrance, John T. III ■	Lyford Cay, Bahamas		316
Speer, Roy M.	Freeport, Bahamas	390	256
Bermuda			
Pictet, Marion MacMillan	Hamilton Beach	800	182
Stempel, Ernest E.	Hamilton	535	213
England			
Ackerman, Peter	London	350	268
Dart, Robert ■	London		316
Feeney, Charles	London	910	172
Getty, Eugene Paul (J. Paul Jr.)	London,	840	179
Getty, Mark ■	London		316
Getty, Tara G. Galaxy Gramaphone ■	London		316
Koch, Frederick Robinson	London	500	194
Soros, George	London	1,000	154
Hong Kong			
Chan, Ronnie ★	Hong Kong	860	178
Switzerland			
Green, Pincus	Meggen	800	186
Rich, Marc	Meggen	800	186
Mexico			
Brittingham family	Mexico	500	284

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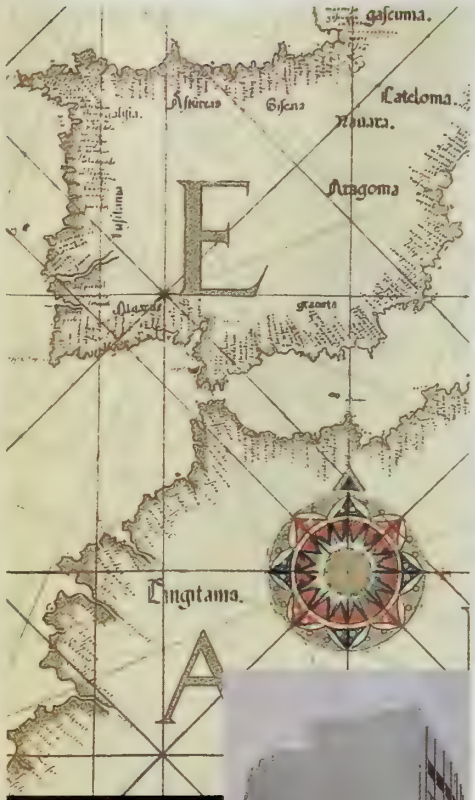


THE SPIRIT OF INNOVATIVE ENTERPRISE IS ALIVE IN PORTUGUESE INDUSTRY TODAY, MAKING THE COUNTRY A POLE OF ATTRACTION FOR INVESTMENT BY INTERNATIONAL LEADERS IN TECHNOLOGY, INCLUDING EASTMAN KODAK, FORD, GENERAL MOTORS, IBM, MICROSOFT, SAMSUNG, TEXAS INSTRUMENTS, VOLKSWAGEN, XEROX & MANY MORE.

As far back as the 15th century, Portugal pioneered the application of science and technology to commercial endeavor. Prince Henry the Navigator created the School of Sagres, a Renaissance equivalent of Cape Canaveral, which provided a scientific framework that launched Portugal into an era of expansion and wealth. Leading astronomers, shipbuilders and cartographers were challenged to make research breakthroughs that laid the technical foundation for the Age of Discoveries.

Today Portugal is preparing to launch the country's second satellite. The project, developed from drawing board to liftoff by Portuguese scientists, is an embodiment of the country's technological prowess that is attracting a growing number of international companies to invest in Portugal – a buoyant, forward-looking European economy with a secular tradition of innovation and creativity.

"Many international businesses are unaware of Portugal's outstanding technological skills," says Hermann Birg, president of the Portuguese-German Chamber of Commerce. "Portuguese technicians and engineers are every bit as qualified as their

WORLD-CLASS ASSETS

Portugal's principal assets, in addition to the Portuguese themselves, include:

- political stability
- business-friendly government
- a high-growth economy built on the sound foundations of a stable exchange rate, controlled inflation and low unemployment
- a well-developed technological base
- a proficient education system
- modern infrastructures providing easy access to the world's main markets
- a high level of investment incentives
- banking, legal and tax systems that are modern, efficient and well-regulated
- a quality of life based on a rich and hospitable culture that make living and working in Portugal a treasured experience for many foreign employees

A HISTORY OF COMMERCE, A FUTURE OF PROMISE

Ford Automotive Components Division:

SURPASSING ALL EXPECTATIONS

Originally intended to manufacture about 3,300 car stereos a day when launched in 1993, the Ford Automotive Components Division plant at Palmela, 20 miles south of Lisbon, now exports 6,500 units a day – in addition to dedicating 40% of production to other high-tech products, including dashboard consoles and airbag modules. The unit quickly earned Ford's coveted Q1 quality rating – the first time a plant has been awarded the rating on its inaugural inspection by Ford Detroit.

The technologically advanced production system requires a high level of technical skill from its 1,600 employees. "The competence and motivation of the workforce have lived up to our highest hopes," says Darryl E. Seim, financial services manager at the unit. "This is a first-class plant that is competitive with any comparable facility in the world." After narrowing down a wide field, Ford chose Portugal as the location for the plant.

Factors such as a strategic geographic position for exports, easy road and rail access to the main European markets, a network of qualified local suppliers and strong government support weighed heavily in the decision. But it was the enthusiasm, technical proficiency and strong work ethic of the Portuguese labor force that clinched the decision.

"When new business opportunities arise worldwide, Ford frequently turns to the Palmela plant because they know we have the technological capability to adapt quickly and efficiently." says Seim.

Siemens:

SWITCHING TO PORTUGAL

The digitalization of Portugal's telephone network has created an important new opportunity for Siemens, the German technology group, which has been operating in Portugal for 90 years. In 1987, Siemens entered into a joint venture with a Portuguese company in Corroios near Lisbon to manufacture digital switching equipment. Today, 40% of the equipment produced at the plant is exported to Germany for use in other Siemens products shipped around the world.

Siemens' Corroios plant provides 60% of the digital switching equipment used by Portugal Telecom, the national telecommunications operator. Siemens recently signed an agreement with Portugal Telecom to supply one million local lines compatible with Integrated Services Data Networks, the cutting edge of telecommunications technology that provides for direct dial as well as combination voice, video and data transmission. The company is also producing software to operate the digital switching exchanges in Lisbon in conjunction with Siemens operations in Boca Raton, Florida, and Munich, Germany.

German counterparts and they have a great capacity for creativity and innovation. When this is allied to the organizational and management skills of multinational companies, the result is world-class excellence."

In fact, the results of a survey of 450 German companies in Portugal carried out by the Chamber enable Birg to conclude: "Given the same tools, Portuguese workers are as productive or more so than their German counterparts." Leading foreign investors have nothing but praise for the high productivity of their workforces in Portugal.

In a move that strongly attests to Portugal's scientific talents, Grundig, the German consumer electronics manufacturer has established its worldwide research and development unit for audio equipment in Braga in northern Portugal. Junkers, part of Germany's Bosch group, has set up the company's international R&D center for gas water heaters in Aveiro in central Portugal. Most of the top technicians being recruited for Junkers' first plant in China are Portuguese.

This experience of success beyond the most optimistic expectations is shared by many other multinational corporations choosing Portugal for advanced technological production sites.

> "The level of technological competence in Portugal has made our plant a world-class facility that has a peerless record for productivity and quality."
>
> *Darryl E. Seim*
> FINANCIAL SERVICES MANAGER,
> FORD AUTOMOTIVE COMPONENTS, PALMELA

PORTUGAL

A HIGH GROWTH EUROPEAN ECONOMY

MOTIVATION, FLEXIBILITY, CREATIVITY, A HIGH LEVEL OF EDUCATION, RAPID LEARNING ABILITIES AND A WILLINGNESS TO TAKE ON LEADERSHIP RESPONSIBILITIES ARE AMONG THE CHARACTERISTICS THAT HAVE EARNED THE PORTUGUESE AN INTERNATIONAL REPUTATION FOR THEIR STRONG WORK ETHIC AND GENERAL ENTHUSIASM. THIS IS WHY PORTUGAL IS ONE OF EUROPE'S FASTEST-GROWING ECONOMIES.

"Once you have experienced the motivation of Portuguese employees it is difficult to readjust to the lower levels of drive and energy common elsewhere," says Hermann Birg, who is also managing director of Bosch's operations in Portugal.

Adding the attributes of Portugal's labor force to the country's other compelling advantages results in a winning formula for investment. This is why many of the world's top companies have chosen Portugal as their base for technologically sophisticated manufacturing plants within the European Union, the world's largest market with 370 million consumers.

These attractions are compounded by considerable cost advantages. A July 1994 survey by the German Economy Institute found that labor costs in Portugal were by far the lowest of 21 countries studied. At an average of $5.60 an hour, average wages in manufacturing were almost two-thirds lower than in the United States, more than three-quarters lower than in Germany and around two-thirds less than in Spain and Ireland, economies at a similar level of development in industrial and technological terms.

Although they may earn less, Portuguese employees tend to work longer than other Europeans. Research indicates that only workers in Japan and the United States work longer hours than their Portuguese counterparts, who put in an average of 1,898 hours a year compared with 1,608 hours in France and 1,483 in Germany. Even if Portuguese labor costs increased at a rate of 5.5% a year – an optimistic projection – they would reach only 40.7% of German wages, for example, by 2005.

TEXAS INSTRUMENTS-SAMSUNG:

TAKING THE LONG VIEW

Texas Instruments has been producing integrated circuits at Maia near Oporto in northern Portugal since 1973. "TI took the long view," says TI-Samsung general manager José Morais. "The support provided by the Portuguese government made it possible for us to gain access to a broad European market that was just beginning to form." Because of the success of the TI project, Samsung Electronics of South Korea decided to enter into a joint venture with TI and for the first time ever began to assemble semiconductor integrated circuits outside Korea at the Maia plant in 1994.

The two companies share investment and fixed costs, manufacturing differently branded products on separate production lines. Building on their accomplishments – sales are forecast to exceed $340 million in 1995 up from $172 million in 1994 – TI-Samsung signed a $140 million investment contract with the Portuguese government in July 1995 to expand production of Dynamic Random-Access Memory (DRAM) and VLSI (Very Large Scale Integration) semiconductor integrated circuits.

> "Portugal proved to be an excellent choice for locating our AutoEuropa assembly plant. The national and local governments worked well with us in the development phases and the quality and enthusiasm of the workforce have been outstanding."
>
> *Albert Caspers*
> CHAIRMAN, FORD EUROPE

This is a much slower level of wage growth than is forecast for the countries of Eastern Europe, which are further handicapped by political instability and other uncertainties in important areas for potential investors. But labor cost advantages, which will gradually diminish as Portuguese wage levels catch up with the European average, are not Portugal's main attraction for foreign investors.

"We are here to stay," says John D. Ritchison, operations manager at Delco Remi Componentes Electrónicas, part of General Motors' Delphi Automotive Systems group. The company has been producing state-of-the-art electronic ignition systems and engine combustion control products at a plant in Seixal near Lisbon since 1990. "We chose Portugal from a wide range of possible European sites because we perceived a long-term competitive advantage here," says Ritchison. "Our decision has been amply rewarded. The plant has performed exceptionally well in terms of quality, growth, delivery and financial return."

AUTO EUROPA:
DRIVING INTO EUROPE

Ford and Volkswagen chose Portugal for a $2.54 billion joint venture to build two new unique automobiles. Using the most advanced technology in the industry, the AutoEuropa project is the largest foreign investment ever made in Portugal. The state-of-the-art plant at Palmela, inaugurated in April 1995, produces the Ford Galaxy and the Volkswagen Sharan, multipurpose vehicles (MPVs) that combine the advantages of a passenger car with those of a minibus. AutoEuropa's projections point to MPVs enjoying a 3% share of the European market by the end of the century, and the plant has been designed with a capacity of 100,000 vehicles a year.

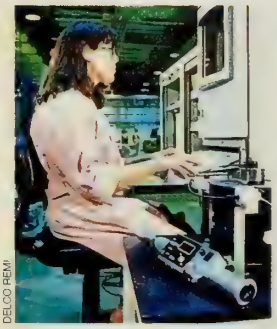
An important factor that drew Ford and Volkswagen to Portugal was a base of efficient workers, suppliers and infrastructures for a plant that incorporates the latest developments in automation and computerized production control. In the body shop, for example, 173 robots apply 60% of 4,600 welding spots automatically. "The very latest findings in terms of product, manufacturing and work organization have been applied to AutoEuropa to ensure that our customers get a world-class product at an affordable price," says Ferdinand Piéch, chairman of the board of Volkswagen AG.

When it reaches full capacity, AutoEuropa will create about 10,000 new jobs, directly in the factory and indirectly in the companies supplying parts, components and services. Portugal's pool of highly competent, strongly motivated workers has made it easy for AutoEuropa to recruit a top-quality labor force from a total of 50,000 applicants by means of a rigorous selection process.

Before production began, a total of four million hours were invested in training the workforce at Formauto, a special center equipped with the latest technology, which is a joint venture between AutoEuropa and the Portuguese Institute for Employment and Vocational Training. The availability of highly qualified local suppliers was an equally important element in the decision to invest in Portugal. A total of 52 Portuguese companies supply AutoEuropa and another 110 sub-suppliers are involved. All the suppliers have to meet the most rigorous standards of qualification.

PORTUGAL

A COUNTRY COMMITTED TO YOUR SUCCESS



DELCO PBM

ONE OF PORTUGAL'S KEY ATTRACTIONS FOR MANY COMPANIES IS THE COUNTRY'S HIGH LEVEL OF TECHNOLOGICAL COMPETENCE, PARTICULARLY IN ELECTRONICS, COMMUNICATIONS, FIBER OPTICS, COMPUTER SOFTWARE AND BIOTECHNOLOGY. PORTUGAL'S TECHNOLOGICAL ADVANTAGES INCLUDE HIGHLY SKILLED TECHNICIANS, A COST-EFFECTIVE LABOR FORCE, HIGH-TECH INFRASTRUCTURES AND STATE-OF-THE-ART R&D FACILITIES.

The Systems and Computer Engineering Institute (INESC), for example, is a private nonprofit R&D facility focusing on computer and information technology, telecommunications, electronic systems, opto-electronics and integrated industrial production and management systems. INESC employs about 1,200 people – from among the best of the country's scientists, researchers and post-graduate students – organized into 57 R&D groups and 14 technology-transfer centers.

"We have established pools of expertise and know-how in a number of research areas and we apply our research in industry in collaboration with US and European companies," says Professor Pedro Guedes de Oliveira, an INESC director based in Oporto. One of INESC's main research centers in Oporto is focused on opto-electronics, and includes work with lasers, fiber-optic sensors and optical synchronization.

The Electronics Research and Development Company (EID) conducts R&D in telecommunications, radio transmissions, communications command, control and remote control systems and opto-electronics. In addition, a broad range of university laboratories and research centers focus on engineering and industrial technologies, and are supported by the Portuguese government in cooperation with EU research

IBET: *BIOTECHNOLOGICAL EXPERTISE*

The Institute for Experimental and Technological Biology (IBET), a nonprofit organization, acts as an interface between companies interested in using bio-processes or developing bio-products and Portugal's considerable resources for pure and applied research in chemistry, biochemistry, biology and engineering. IBET is located at Oeiras, just outside Lisbon, on a newly created science and technology campus that includes a science and technology park covering 1,000 acres and several other research institutes.

"We have a large pool of advanced expertise in areas including the structure function of proteins, cell technology and genetics," says Professor Manuel J. T. Carrondo, head of IBET. "We establish links with companies that have their own product strategies and place our competence at their disposal to put applied research projects together."

Recent corporate research projects by IBET, currently working with 11 European multinational companies, include work on natural aggregation and macroporous supports in animal cell technology in collaboration with the pharmaceuticals group Merck, Sharp & Dohme and the tracking of antibiotic-resistant bacterial pathogens with Lilly Research Laboratories and Hoffman-La Roche.

IBET's new $30 million building includes 16 laboratories reserved for industrial projects. A large pilot plant, equipped with bioreactors, supercritical fluid processing and chromatographic purification processes, provides an excellent nursery for new biotechnology businesses. "The pilot plant enables us to move from laboratory scale to semi-industrial scale," says Carrondo.

An adjacent area of 12 acres is reserved for start-up and spin-off companies. Most of IBET's senior researchers, including more than 50 Ph.D.s, are either professors at universities in the Lisbon area or scientists from the National Agrarian Station (INIA).

IBET's areas of expertise include protein characterization; pharmacological studies involving membrane transport; and the testing and assessment of new chemical, microbiological, agro-chemical, veterinary and food products. An important function is providing consulting expertise to companies involved in biochemical engineering development and in expanding biotechnology, minimizing the initial investment of foreign companies setting up in Portugal.

programs. The National Institute for Engineering and Industrial Technology (INETI), for example, trains students in electronics, fiber optics, biotechnology and environmental and energy technologies.

A private network of Technology Research Centers operates in the areas of automation and robotics, microelectronics, materials science, energy-related technologies, industrial engineering and telecommunications. The Institute of Welding and Quality (ISQ), located at Tagus Park (see box), is a scientific and technical association researching applications in new industrial production and automation technologies, energy and environmental safety, and quality management.

Foreign investors repeatedly attest to the creativity of Portuguese technicians and the willingness of their workforces to accept new ideas. Employees are also eager to put forward their own proposals for improving productivity and quality in a strongly proactive and constructive approach. "The level of employee participation in the plant is something I have never seen in any other facility," says Ford's Darryl E. Seim.

Flexibility is another characteristic of Portuguese workers. Ritchison recounts how Delco Remi was able to put a third shift in operation at its Seixal plant in less than two-and-a-half weeks, as soon as the employees saw it was the best way to satisfy the customer. The same qualities distinguish Portuguese suppliers, who are quick and willing to adapt to demanding quality and service standards.

DELCO REMI

"Our Portuguese technical, financial and managerial staff are among the best I have seen anywhere. They provide good, credible leadership of the kind that will keep the company moving forward over the long term."

John D. Ritchison
OPERATIONS MANAGER, DELCO REMI, LISBON

TAGUS PARK: *A LAUNCH PAD FOR INNOVATION*

Tagus Park, a science and technology park due to be completed in 1997, will create an educational, scientific and business community of about 10,000 people and involve a global investment of about $350 million. The aim, in a long-standing Portuguese tradition, is to build a bridge between science and enterprise that will foster economic development.

"Our objective is to create a new framework for interaction between education, research and business and to build an environment that favors innovation," says José Sucena Paiva, chairman of the Tagus Park management board. Emphasis is being given to support for small and medium-size companies. Three U.S. computer companies – Convex Supercomputer, Intergraph and Silicon Graphics, Inc. – are among enterprises already setting up in Tagus Park.

The first stage of the development will occupy 282 acres overlooking the Tagus river at Oeiras, a few minutes by highway from central Lisbon. Facilities include a business innovation center and a scientific and technical information center, as well as a congress and exhibition hall, a hotel, residential areas and services.

Strong emphasis is being given to education. Several of Portugal's leading universities, including the Lisbon Technical University (UTL), the Higher Technology Institute (IST) and the Systems and Computer Engineering Institute (INESC) all plan to establish faculties in Tagus Park, which will initially cater to about 3,000 university students.

Large companies are also installing R&D centers in Tagus Park. The project's 19 shareholders include Portugal's telecommunications and post office utilities and they have been joined by important private concerns. Many other companies, including foreign investors, are subsequently expected to choose this fertile new environment for interchange between science and industry as a launch pad for innovation.

A COUNTRY WITH OPEN ARMS

Few people who live for even a short time in Portugal can resist the temptation to return. They are drawn back by the warmth and hospitality of the people and an appealing, amenable lifestyle. "I have lived and worked in several countries during my career; Portugal has been by far the most agreeable for both my family and myself," says Darrell Seim of Ford Automotive Components. "The people are friendly, the climate is benign and the amenities, from schools to housing and leisure activities, are first-rate."

Living and working in Portugal is proving a rich and rewarding experience for John Ritchison of Delco Remi, who moved to Cascais, near Lisbon, from Indiana with his wife and family for his first foreign posting. "The people here are outstanding and we have had lots of wonderful experiences," he says. His son attends the American International School, located between Cascais and Lisbon, where American students study alongside Portuguese and other nationalities in a community school supported by the U.S. Embassy, Ford Motor Company and Banco Espírito Santo.

Portugal offers the attractions of thriving cosmopolitan cities such as Lisbon and Oporto as well as a rich culture and a kaleidoscope of landscapes from unspoiled beaches to rolling plains and easily accessible mountain ranges. The climate is mild. The average temperature is 52° F in winter and 73° F in summer. In 1998, the 500th anniversary of Vasco da Gama's discovery of the sea route to India, Lisbon will host the last world fair of the 20th century. Expo '98 is dedicated to the theme of exploring and preserving the world's greatest resource – the oceans.

Exotic rhythms and flavors from the new worlds discovered by the Portuguese navigators who set out from Lisbon in the 15th and 16th centuries continue to nourish the adventuresome spirit of Europe's westernmost capital. Arabesque filigrees of *Fado* music drift into the cobblestone streets from lamp-lit taverns. Blue and white *azulejos* – Portugal's Moorish-influenced ceramic tiles – turn cafes into cool oases where shoppers, businessmen and students talk animatedly over tiny cups of potent, black Brazilian coffee.

Everyone is made to feel welcome, whether they are swept up by the brass bands of a street parade or invited to share a jug of wine at a neighborhood party. Lisbon's cosmopolitan history has bestowed on its people a spontaneous hospitality and unaffected friendliness towards visitors.

The city of the discoverers enjoys being discovered.

Portugal

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To risk-takers the spoils

BY DAVID DREMAN

David Dreman is chairman of Dreman Value Advisors, Investment Counsel, New Jersey, and author of *The New Contrarian Investment Strategy*.

MOST OF The Forbes Four Hundred, barring perhaps the inheritors, have gotten there by taking big, really big, risks. Ross Perot gave up the security of an outstanding sales career at IBM to found EDS with peanuts. He's the rule, not the exception. I don't think anyone ever got rich doing the safe thing.

All this is highly relevant to the stock market, and it's why market panics provide some of the best opportunities to enhance capital. Big bucks are made stepping to the plate when most people are running for the exit.

There's no need to go back to 1987 or 1974 to prove my point. Take the 1990 panic in bank stocks, the worst financial panic since the 1930s. Near the bottom, the advice of experts was to sell, and some market letters even urged their readers to short the banks. Their real estate losses were so large that there was a good chance the entire system would become insolvent. You could have bought Citicorp for under 10. Five years later it was at 70. You could have bought Wells Fargo for 40 and other bank stocks at bargain-basement prices back then.

In the hysteria, few people looked at the fact that most banks had more than enough capital to survive and were trading at giveaway prices.

In a sense, then, panics are the smart investor's best friend. My column in the Oct. 22, 1990 issue, written during the Gulf crisis, looked at how markets performed after the ten major panics of the postwar period. I started with the Berlin Blockade crisis and the 1962 stock market break through the crash of 1987. The results were revealing. The Dow Jones industrial average appreciated 26% on average one year after the crisis low, and 38% two years later. It was down only once, 3%, in 1948, but it bounced back 15% the next year.

Not surprisingly, the averages rebounded exactly the same way after the Gulf crisis, shooting ahead 24% in one year and 31% in two.

If it's this easy to make big returns, why aren't more people rich? For the same reason that only a handful of the millions who try actually make The Forbes Four Hundred: It's darned tough to give up a great job with IBM to pursue a vision, and it's darned tough to buy Citibank when the TV newsreaders are warning darkly of banking crises. You are out there alone, and your capital is totally at risk. Most often you watch these stocks drop another 20%, 30% or more before turning around. It's chilling—I have been there.

But remember: Panics, crises, follow predictable courses. They always end, and usually without the direst predictions coming true. Gut-wrenching, yes, but buying in a panic is a winning strategy almost all the time.

Of course, there's always a chance that being brave and tough isn't enough: It wouldn't have saved you in 1929, when the crisis turned out to be even worse than the panic that preceded it. But 1929 is the exception that proves the rule.

There's no panic now, but the general rule applies: When stocks are out of favor, they are often good buys. Here are a number of stocks, among the worst-performing groups of the past 12 months, that provide good value.

Burlington Coat Factory Warehouse is a major off-price retailer. The stock has been knocked down from a high of 30 last year to its present price of 13. This well-run retailer presents value at a P/E of 14 on mediocre 1996 estimates (fiscal year ends June 30), with the likelihood of a good bounce-back ahead.

The trick to value investing is not just to find stocks that are out of favor but to find stocks that are unjustly out of favor.

Burlington Industries (12), one of the largest manufacturers of fabrics and textiles, is being hit by the current retail and apparel slump. Cost-cutting and a gradual pickup in the demand for soft goods should result in earnings moving to better levels in the next few years. The stock trades at a P/E of 11 on estimated 1996 results.

Dillard Department Stores (33) operates 228 department stores, primarily in the Sun Belt. Improving retail sales should result in income increasing approximately 10% this year, with a stronger gain in 1996. The stock trades at a P/E of 15, yielding 0.4%.

U.S. Healthcare (34) is a major HMO that has stumbled in recent months along with the rest of the industry. Increased enrollments should result in 15% earnings growth over time. The stock trades at a P/E of 13 and yields 2.9%.

VF Corp. (51), the world's largest publicly held apparel company, is under a cloud, as is the industry. Apparel sales should pick up as the economy continues to gain strength. VF appears cheap at a P/E of 11 on depressed earnings and a yield of 2.7%. ■

The liquidity trap

BY KENNETH L. FISHER

Kenneth L. Fisher is a Woodside, Calif.-based money manager. His third book is *100 Minds that Made the Market.*

STUNNING INVESTMENT lessons come from simply mulling shifts atop The Forbes Four Hundred. For example, Ross Perot demonstrates one fundamental don't-do-it. Don't cash out for long. It's deadly.

Perot got on The Forbes Four Hundred by starting, building and selling EDS, a phenomenally successful firm. In 1987 he was worth $2.9 billion and was number three on the list. At that time he held a huge position in bonds and Treasury bills. His liquidity helped finance his presidential run but dropped him to 33rd place on The Forbes Four Hundred. Had he in 1987, instead of staying in cash and near cash, simply invested in an S&P 500 index fund, he would still be about number three on The Forbes Four Hundred and would be worth $7 billion—nearly three times what he is worth today.

Moving up in The Forbes Four Hundred is not the only thing in life worth doing, but I mention all this to make a point: If you want your net worth to grow, "stay equitized." Bonds are okay if you are very old or can't afford any risk, but if you want to be in the action, buy a piece of the action, which is what common stocks represent.

With bonds, in the end either the taxman gets you or inflation does. If bonds yield 7% and you are in a 40% tax bracket, your real yield is a smidgen over 4% and that leaves you something over 1% after inflation—not even a millionaire could live on that kind of income. That bonds are costly relative to stocks in the long term has been shown repeatedly by numerous studies, the most famous of which was *Stocks, Bonds, Bills and Inflation* by Roger Ibbotson and Rex Sinquefield. It was sponsored by the Financial Analysts Research Foundation and is available at most major libraries.

Whatever you may think of Ross Perot as a politician, you have to admit he has been a lousy investor lately.

How about cash or short-term bonds as a hedge against a market crash? Doing so for a year or so is fine, but only if you are really good at market timing—and who is? Most folks use this as an excuse to commit financial suicide. Even in a market crack, most folks do better riding through it than trying to time it. Ross Perot should know. He got killed in the market in 1970, but held on and was paid well for it.

Need some equitizing? Here are a few suggestions for the market ahead:

ITT Corp. (125) is a set of classic names that, combined, sell at steep discounts to the market. At 2 times book value, 55% of revenue and a P/E of 15 you get: the Hartford, the international *Yellow Pages,* Madison Square Garden, Caesars World, and so much more it won't all fit here. ITT is about to be spun out into three separate stocks, and I think the market will value the parts more than it now does the whole. So buy it now.

Georgia-Pacific (89) is not only the big banana in paper and wood products, it is also cheap and a well-managed firm. I learned as a kid that when you can buy leading market share cheaply in a firm where the capacity isn't very old, you rarely get hurt for long. Georgia-Pacific's average plant age is about seven years, and it sells at 11 times earnings, 60% of revenue and 2.5 times book value.

On the other hand, long term you make more money with smaller firms than with big ones, if you do it right. A small, more speculative but cheaper opportunity in construction materials is *Fibreboard* (25). At a P/E of 8, 1.4 times book value and 45% of revenue, it is dirt cheap. And you get dirt and trees and leading California ski resorts, all for $200 million, paid for by about $30 million of earnings. I think it's worth fully 40.

Stant Corp. (11, o-t-c) makes aftermarket auto parts. Cars are older than statistics show—and keep getting older. Just look at the prices of new cars. Government regulations keep making them more expensive, which makes it more desirable to keep old ones rolling. Stant has a wide mix of parts and growing profitability. Yet the stock has done poorly since early 1994, peaking at 20. I think it will see 20 again. Meanwhile, it sells at book value, 40% of revenue and 12 times earnings.

A firm that prospers in adversity usually does so afterward, too. *Blair Corp.* (34) is a direct-mail marketer of apparel and home furnishings. Its stock has done badly since 1993, as have the industries it serves generally. But Blair's business has done better than most competitors. Probably will in the future, too. And it's cheap. At 1.5 times book, 55% of revenue and a P/E of 10, I look for 50. ■

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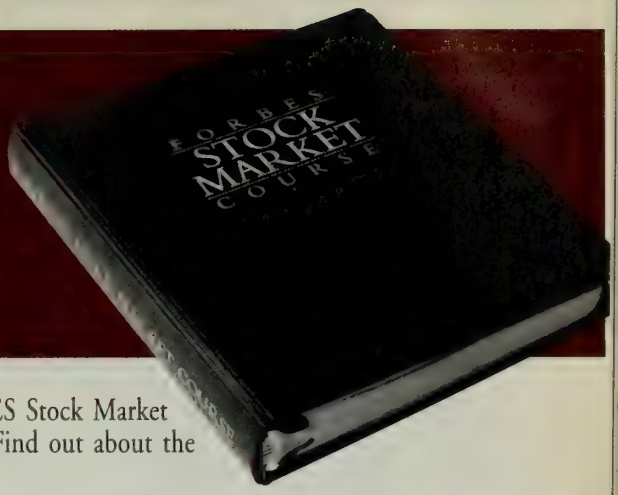

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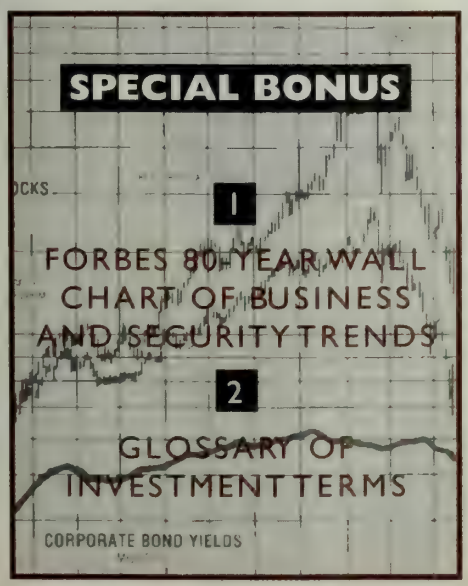

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EDITED BY WILLIAM G. FLANAGAN

Which are the lucky stars?

Why were many more of the superrich born under the sign of Pisces than any other sign? Darned if we know, but our astrological panel has some ideas.

By Natasha Bacigalupo and Caroline Waxler

IF YOU WEREN'T BORN superrich but want to attain that blessed state, it may help to be born between Feb. 20 and Mar. 20. Astrologically speaking, more Pisces get to The Forbes Four Hundred than those born under any other sign. Of 256 Forbes Four Hundred members with self-made fortunes in their own lifetimes, 29 (11.3%) were born under the sign of Pisces. Otherwise, the signs are pretty equal: 24 Aquarians (9.4%); 23 Aries and Cancers (9%); 22 Capricorns (8.6%); 21 Scorpios (8.2%); 20 Taureans and Leos (7.8%); 19 Virgos and Sagittarians (7.4%); and 18 Librans and Geminis (7%).

Feb. 20–Mar. 20

Why so many Pisceans? We asked our hastily convened astrological panel.* The consensus view: Pisces are idea people. They are creative and imaginative. They have sharp instincts, yet are sometimes rash, and experience booms and busts. They are also good market players who like risky ventures, even Broadway shows. Idealism, however, can leave them vulnerable to bad deals.

Perfect fits: Walter Annenberg, Michael Dell, Michael Eisner, David Geffen, Phil Knight, Rupert Murdoch, Laurence Tisch, Lew Wasserman—idea people all, risk-takers all.

But every zodiac sign has its Forbes Four Hundred members. It may help to be a Pisces, but the stars say you can still make it, regardless of sign. Each has business strengths.

Mar. 21–Apr. 20

Those born under this sign of the zodiac are groundbreakers. First in line for startups, they like risks and fast money. But once the money is raised, they tire of day-to-day details and are quick to move on. They make ideal pit traders, says Grace Morris, since they are adept at handling crises and thrive on thrills.

Perfect fits: James Clark, the brains behind Netscape's much hyped public offering; Tom Monaghan of Domino's Pizza; Tex Moncrief, son of a wildcatter, who made a huge gas find in Wyoming; Robert and Sid Bass.

Apr. 21–May 22

Tightfisted Taureans crave security and favor staying in for the long haul. "The word risk is not in their vocabulary," says Lynne Palmer. But they make good corporate chiefs, especially in insurance, banking and retailing. Downside: These slow-moving bulls often ponder too long and miss opportunities. Taureans penny-pinch during business hours; they are always on the lookout for good value.

Perfect fits: Maurice (Hank) Greenberg and Ernest Stempel of insurance giant American International Group; Carl Lindner Jr.; Alfred Lerner (banking); Patrick Ryan (insurance); Donald Tyson. Misfit: William Hewlett, opportunistic Stanford grad who cofounded Hewlett-Packard in a garage.

May 23–June 21

"The great communicators," says Susie Cox. Geminis are never at a loss for words. Problem is, although they talk about investments, they may not follow through. Quick thinkers, Geminis are always one step ahead. Since Gemini is represented by twins, it's hard to pinpoint the direction of their next move. Suitable fields: telecom-

munications, computer software.

Perfect fits: Sumner Redstone, Kirk Kerkorian, Jay Van Andel (who tried several businesses before cofounding Amway). Donald Trump would fit, but he's not rich enough this year.

June 22–July 22

Once Cancers commit to something, they don't let go, whether it's bonds or businesses. "They marry their stock," says Morris. Single-minded, Cancers throw themselves into their work, but can get too attached. They are happy to be rooted in corporations they create.

Perfect fits: Estée Lauder, John Berry Sr. (Yellow Pages), Edward (Ned) Johnson (Fidelity Investments). Misfit: in-and-out dealmaker Nelson Peltz.

July 23–Aug. 22

The most powerful sign of the zodiac, the kings of the jungle, says Yvonne Morabito. They look at the big picture; details bore them. Leos' confidence inspires others, but makes them horrible employees. They like flashy industries—gambling, entertainment, the media—and high-wire arenas like precious metals or currency exchange. They like center stage. "Their egos demand it," says Palmer.

Perfect fits: George Soros, Craig McCaw, Charles Schwab.

Aug. 23–Sept. 22

Details, details, details. Virgos are fastidious, long-term investors who mistrust change. But their research pays off. Virgos flock to service industries, like health care. Even as chief executives, Virgos shun the spotlight. Excellent corporate players. An earth sign, Virgos do not mind getting their hands dirty. Their roots could be in the agricultural or environmental industries.

Perfect fits: Warren Buffett, textile king Robert Boisseau Pamplin Jr., Jay Pritzker, John Kluge. Misfit: glitzy Marvin Davis.

Sept. 23–Oct. 22

The networkers. Most likely to pass out a business card at a cocktail party. Work well in partnerships. Their symbol: the scales. Librans weigh each decision and are the balance seekers of the zodiac. They make excellent traders and have "an innate sense of when the markets are out of whack," says Morabito. The fashion industry is a Libra favorite.

Perfect fits: Ralph Lauren; Charles Dolan (cable TV); Timothy Gill (software); Sam Zell; Pennzoil lawyer Joseph Jamail, whose sense of justice's being out of whack helped him drive Texaco into bankruptcy.

Oct. 23–Nov. 21

Style of business akin to war. Perfectly suited to LBOs, takeovers, restructurings. Scorpios, shrewd and secretive, know when a ship is sinking and love being saviors. They seek control and are experts at finding corporate weaknesses not apparent to others. Good investigators.

Perfect fits: Ted Turner, Jack Kent Cooke, Bill Gates, Roberto Goizueta of Coca-Cola.

Nov. 22–Dec. 22

Good entrepreneurs—quick-witted, imaginative and independent. They rack up the air miles; international business is their forte. Can adapt quickly to foreign cultures because of easygoing nature. Hate being deskbound. Good at attracting money, but cash slips through their fingers quickly. Prefer short-term investments, don't like to be tied down. Likely to donate to charitable causes. "The Santa Clauses of the zodiac," says Palmer.

*The astrologers are: Susie Cox, "Astrologer to the Stars," based at the Canyon Ranch resort in Tucson, Ariz.; Yvonne Morabito, former foreign exchange futures trader and author of the "Cosmic Cashflow" astrology column, based in New York City; Grace Morris, president of Astro Economics Inc., which advises companies on timing of critical moves, based in Oak Brook, Ill.; and Lynne Palmer, author of several books on financial astrology, including "Prosperity Signs," based in Las Vegas.

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Will Gates slip? Should Zell drop the Rock? Will Kerkorian get Chrysler?

FORBES asked Joan Quigley, Nancy Reagan's astrologer when Ronald was in the White House, for the specific horoscopes of a dozen Four Hundred members—born under different signs—who are currently in the news.

Quigley insists that while her predictions are accurate, they are not precise, since she did not have the exact time of birth. But that didn't stop her from taking a stab.

First Four Hundred member first—**William Henry Gates III, Scorpio.** Born Oct. 28, 1955. Quigley predicts he will slip from the top of the FORBES list next year, as Microsoft will suffer losses related to ventures into entertainment and may even have to restructure.

Certain periods in next year's first half, especially February, will be particularly rocky, she says. Windows 95 will fall shy of expectations in the face of federal interference and the release of competing products. This, in spite of what Quigley believes was an astrologer-consulted launch (midnight of Aug. 24, in Auckland, New Zealand).

Thomas Stephen Monaghan, Aries. Mar. 25, 1937. Quigley predicts a media attack this fall on the food preparation standards at Domino's Pizza. From March to June rumors will snowball, but despite the bad publicity, business will increase.

Bernard Marcus, Taurus. May 12, 1929. His Home Depot should post strong year-end results. However, in late December and early January the business will suffer a financial setback. Marcus should keep an eye out for stealing and underhanded tactics from competitors. His relationship with partner Arthur Blank will remain solid. Things turn around after Apr. 17. The rest of 1996 will be prosperous.

Thierry Campion/Sygma

Astrologer Joan Quigley
Sees trouble ahead.

Kirk Kerkorian, Gemini. June 6, 1917. Kerkorian is a "shrewd, old poker player in the driver's seat right now." The beginning of November looks good. "He's winning more people over and he's going to up the ante." He'll be riding high for the rest of November, and by the end of the year he should have a seat on the board of Chrysler. By February he'll feel that the prestige he has gained over the previous months has cost him more than it was worth.

Edward Crosby Johnson III, Cancer. June 29, 1930. A lot of problems next year for Fidelity Investments' chief, with an especially harsh June, August and September. Expect a big loss or expense early next year. Things looking up for autumn. "Financially, he'd better do some shorting," says Quigley.

Craig McCaw, Leo. Aug. 11, 1949. Beginning in February and through 1997, there will be much publicity about government interference in Nextel Communications. Humor will play a big part in his countering the media blitz. There'll be a collapse in his financial and personal life, but friends will close ranks around him.

Warren Buffett, Virgo. Aug. 30, 1930. Buffett can look forward to 1999, when he will be richer than he's ever been, but the next year or two look tough for him (more Salomon woe?). He'll have to deal with corporate backstabbing and government interference, which will cost him money. Also, in 1996 he may have some health problems.

Sam Zell, Libra. Sept. 28, 1941. Zell should think twice before grabbing at New York's Rockefeller Center, Quigley warns, although it appears he'll be on the winning side. For most of 1996 the investment will look good. "He will find himself with a lot of new best friends." But by 1997 something he signed will come back to haunt him. The bad luck continues through 1998. "He is going into the Rockefeller deal at a terribly dangerous time."

Marc Rich, Sagittarius. Dec. 18, 1934. The commodities trader who fled to Switzerland 12 years ago, after being charged with tax evasion and fraud, may end up in the pokey at last. During the first week of May and at the end of July, Rich will have to watch his step. Will Interpol catch up with him while he's on a trip outside Switzerland?

Henry Kravis, Capricorn. Jan. 6, 1944. A sunny spring in 1996. Business will be brisk and everything he touches will turn to gold. September will not be so bright, however. Some untrustworthy business partners could propose an unsound deal.

Carl Icahn, Aquarius. Feb. 16, 1936. New acquaintances, especially politicians and corporate executives, will not be on Icahn's side in January and February. Expect a showdown with a hot-tempered associate in late February or early March. In 1996 he can expect "a lot of deception and difficulty."

Rupert Murdoch, Pisces. Mar. 11, 1931. The rest of 1995 doesn't look good, beginning with November, when a corporate decision leads to losses. Bad publicity follows in December, and on top of that, Quigley warns he may have foot problems. Problems with the FCC over foreign ownership may not be over: Next year he can expect some sort of government action against him. The good news for Murdoch is that while all these problems beset him, he is quietly piecing together an entertainment deal that could make him a bundle.

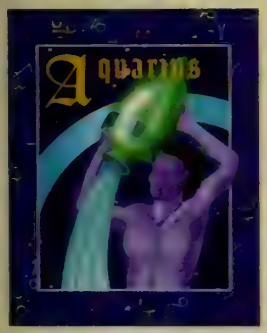
Can we vouch for these predictions? Nope. But considering what lousy records most people have for predicting the future, these can't be much worse. Revisit us here next year, same space, and we'll check out Quigley's predictions. –N.B. and C.W. ■

Perfect fits: Steven Spielberg, Marc Rich. Misfit: Richard Farmer, who has never strayed far from the uniform rental business.

Dec. 23–Jan. 20

Disciplined and structured, old-school captains of industry. Prefer the refuge of well-established firms. Don't need cushy offices to be efficient. Capricorns plow through problems until they emerge with results. Most at home in fields like real estate or pharmaceuticals. Shun glamour. Cautious, conservative, often slow-moving, but artistic. Many are collectors or art patrons.

Perfect fits: John Simplot, who earned his fortune selling potatoes to McDonald's; Intel's Gordon Moore. LBO king Henry Kravis would seem to be an odd man out here.



Jan. 21–Feb. 19

Contrarians. Good at pinpointing public sentiment, but then veer the opposite way. Likely to put money into investments shunned by others. Loquacious Aquarians will spout information even when unwanted. Inventors at heart, they love technology, computers, electronics, aerospace. "The Internet is flooded with Aquarians," says Cox.

Perfect fits: Michael Bloomberg, Paul Fireman of Reebok. Quasi-fit: Carl Icahn.

Flying in style

Even flying first-class can be a hassle these days, but private jets are too rich for the average rich person. Ah, but there's a middle way.

By Howard Banks

YOU'RE A PERSON of some means, you fly a lot—for business and pleasure—and you're tired of crowded airports, rude service, canceled flights and sharing first class with all those folks who are there on frequent-flier upgrades. But there's no way you can afford to shell out $2.6 million for your own private Citation S/II jet or $28 million for a Gulfstream IV—let alone the $500,000 to $1.5 million a year they cost to keep flying.

Don't despair, time-share.

Buying an eighth- or quarter-share in a business jet is not all that hard and is often cheaper than chartering. In fact, if you fly more than 70 hours a year in a private plane, you're better off time-sharing than chartering.

Richard T. Santulli, formerly head of Goldman, Sachs' Leasing Corp. pioneered jet aircraft time-sharing in 1988, using an aircraft maintenance business he owned called Executive Jet Aviation.

Based in Columbus, Ohio, Executive Jet is now a $100-million-a-year (revenues) business; it markets its time-sharing services under the name NetJets (800-821-2299).

NetJets now has around 300 customers. Nearly a third are private individuals. The rest are businesses, often smaller companies getting their feet wet in airplane ownership. Some part owners use some time on the planes for personal travel—discreet NetJets says it doesn't ask how much.

The least expensive way to time-share a jet is to purchase from NetJets a one-eighth share of a seven-passenger Citation S/II. This little number has a 1,500-mile range, a 440mph cruising speed and a $2.6 million sticker price. A one-eighth interest entitles you to 100 hours per year of flying time, wherever you want to go. You give NetJets a few hours' advance notice of where you want to board the plane, and NetJets will have it there at its expense.

Dan Bayard

Chuck Meyer on board "his" Citation jet
"With clients, we take the jet."

Your biggest expense is the capital outlay. For a one-eighth Citation S/II share, this comes to $330,000. You own your piece of the plane for as long as the plane is airworthy, or, after being a part owner for at least two years, you can sell your interest back to NetJets for the then fair market price—today, $275,000 for an S/II.

Assume you sell it back after a full five years. In that case, at today's fair market price, the five-year cost is $11,000 per year. Add maybe $20,000 a year in opportunity cost and you've got $31,000 a year.

(We'll ignore the possibility of financing the capital contribution. We'll also skip possible tax benefits: Part owners can claim their share of the

Chris Casaburi/Gamma-Liaison

Jet time-share pioneer Richard Santulli at New Jersey's Teterboro airport, with one of NetJets' Raytheon Hawker 1000s **After success in the U.S., he's about to take the concept overseas.**

plane's depreciation over six years, but aircraft expenses often invite IRS audits, so take care if you use your time-share to fly the family to Acapulco.)

Now for operating costs. Operating this plane costs $1,120 an hour. On top of this, NetJets charges the Citation S/II's one-eighth owner $5,920 per month to cover indirect costs, such as aircraft maintenance, pilots, landing fees and catering.

You use your full 100 hours and you've probably spent $215,000, $2,150 an hour to fly the low-cost Citation S/II. Do a similar analysis for a one-eighth share in one of NetJets' top-of-the-line, 13-passenger Gulfstream IVs, and it costs around $7,800 an hour *(see table, p. 387)*.

That $2,150 an hour for even the modest Citation is a lot of money. Flying a typical trip, Chicago to Washington, say, with a full load of seven passengers would take a bit over two hours. Total cost: around $4,900. Per mile per passenger that works out to be close to the roughly $1 per passenger mile that the airlines charge for unrestricted first-class fares for a medium-length trip like this.

In other words, only if you consistently fill the Citation's seven seats will its cost approximate that of commercial first-class fares. On longer flights, the airlines are cheaper; for Los Angeles/New York, say, unrestricted commercial first class costs around 70 cents a mile.

As J.P. Morgan used to say when they asked him how much it cost him to run his yacht: "If you have to ask, you can't afford it."

Jet time-sharer Charles T. Meyer III owns Meyer's Bakeries Inc. of Little Rock, Ark. It has bakeries from Florida to Arizona, and Meyer spends a lot of time in the air. Chuck Meyer does count his money, but he counts his time, too. In October 1993 he bought a quarter-share in a Citation S/II, and he is delighted, but uses it judiciously. "If I'm going to Los Angeles alone, I buy a ticket," says Meyer. "With three people, or clients, then we take the jet."

For those who can justify the expense, there's plenty of payoff. You won't feel like you're taking the bus. You want smoked salmon and champagne, and your kids want peanut butter and jelly sandwiches with Dr Pepper? No problem. Specific brand of scotch? Easy. NetJets maintains its own storage lockers at most general aviation bases and will provision your flight to your specifications as part of the monthly fee—though if you consistently ask for Beluga caviar, NetJets will ask for an additional fee.

The crews behave just as they would if they were your own employees. They usually arrive at a pickup airport an hour ahead of schedule, help load your bags and treat you like the plane's owner in front of any

Air-to-air shot of a NetJets Raytheon Hawker 1000 **Beware claiming the depreciation and then using the plane to fly your family to Aspen for Christmas.**

guests you might be trying to impress. NetJets today has 220 pilots.

NetJets isn't the only business jet time-share operator. Its most serious imitator to date is Business JetSolutions (800-590-5387). Launched in May, this is a joint venture between American Airlines and Canada's Bombardier, which makes the Lear and Canadair business jets and time-shares those planes exclusively. By October this rival operation will have 16 bizjets in service.

Dick Santulli's NetJets operation, however, remains by far the largest shared bizjet operator. And size is one of its secrets. In 1988, before he had one customer signed up, he invested $26.5 million to buy 8 Citation S/IIs. The idea was to make sure his part-time owners had their planes when and where they wanted them. By December NetJets' time-share fleet will include 25 Citation S/IIs, 16 of the better-performing Citation V Ultras, 17 Hawker 1000s (a model Raytheon recently acquired from British Aerospace) and 5 of an expected fleet of 22 big Gulfstream IVs.

In September Santulli sold a minority stake in Executive Jet to his old employer, Goldman, Sachs & Co. Terms were not disclosed, but the money will be used to expand NetJets overseas, starting in Europe.

With more planes, Santulli can give his customers more options. Example: For short hops, Newark to Washington, D.C., say, part owners in a $2,480 (hourly operating cost) Gulfstream can trade down to one of NetJets' $1,120/hour Citation S/IIs. Or a Citation owner making a cross-country trip can trade up.

David Kirr, co-owner of investment adviser Kirr, Marbach & Co. of Columbus, Ind., and his partner have a one-eighth share in a NetJets' Citation S/II. He thinks jet time-sharing is the way to go for successful people and their companies.

"Sure it costs more than flying commercial," says Kirr. "But we are at the point where it is worth spending $200,000 [a year] for the convenience. The other day I was able to go from Midway airport, Chicago, to Flint, Mich. in a 39-minute hop, instead of flying commercial O'Hare to Detroit [70 minutes] and then driving an hour and a half to Flint." Kirr is already moving up to a better-performing Citation V Ultra.

The new way to fly

	Lowest-cost option Citation S/II	Midsize bizjet Hawker 1000	Topflight intercontinental Gulfstream IV
Capital cost	$330,000	$1,558,000	$3,500,000
Indirect costs, monthly fee*	$5,920	$9,235	14,500
Flying cost per hour*	$1,120	$1,530	$2,480
Maximum response time (domestic, 48 states)	8 hours (4 hrs for ¼ share)	10 hours (6 hrs for ¼ share)	10 hours (6 hrs for ¼ share)
Guaranteed buyback	$275,000†	$1,215,000‡	$2,800,000†

*These charges are increased by the cost-of-living index each January. †This year's price, will vary over time. ‡Guaranteed for five years by Raytheon.

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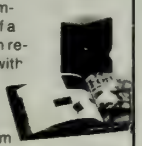

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The threat of the bus led trolley lines to introduce this "noiseless" Grand Rapids trolley in 1925.

"The more things change . . ."

70 years ago in Forbes

(From the issue of Oct. 15, 1925)

"**Are street railways** doomed? Not in the larger cities, at least for years. But in communities of 50,000 or less, it is becoming impossible to furnish service at old-time fares. Unless citizens in such places realize the facts and consent to the establishment of a proper rate of fare and relief from onerous taxation and unjust competition, many communities will by and by find themselves without facilities."

"**When Thomas A. Edison** perfected the incandescent electric lamp less than fifty years ago and the significance of it was announced, there was a panic in the shares of gas companies all over the world. 'The gas industry,' said the wiseacres, 'is dead; or at least has received the fatal stab.' It was not and it had not. The Gloomy Guses simply had not realized the heatmaking usefulness of gas."

This 1925 Chevy aimed at Ford's lead.

60 years ago

(From the issue of Oct. 15, 1935)

"**The automobile industry** is beginning to hit its 1929 tempo again. Nobody could attend recent dealer gatherings at the factories, talk with executives and see the new cars without feeling that once again the very air of Automobiland is charged with the electric enthusiasm born of confidence in the future which characterized its 5-million-a-year production days."

"**[One new] development** is a control which prevents the water from falling below the safety point in your boiler. Since automatic heat has entered so many basements, janitors and householders sometimes forget to check up regularly on the water level. This is an invitation to trouble."

50 years ago

(From the issue of Oct. 15, 1945)

"**In addition to freeing** over 10 million low incomes from the present 3% normal tax, Congress should proceed forthwith (1) to end the war emergency corporation excess profits tax, (2) cease double taxing of stockholders, (3) should substantially reduce individual surtaxes."

"**Local strikes** are plaguing the whole country. Take what is happening in New York City. In addition to its strike of elevator operators, which inflicted immeasurable inconvenience and loss to a multitude of innocent victims, New York has been subjected to transportation vexations by its bus drivers."

25 years ago

(From the issue of Oct. 15, 1970)

"**The abuse of drugs** has become so common as to rival alcohol as a major management problem; together they cost business an estimated $8 billion annually in absenteeism, sick leave, accidents and wasted time and materials. Although some companies have already set up in-company programs, the American Management Association is encouraging more to do so by sponsoring a special briefing in mid-November. . . ."

"**Everyone knows** that all hospitals are notoriously unprofitable. So why are chain-operated for-profit hospitals now big business and probably the fastest-growing industry in the U.S.? Just look at the performance of the five largest hospital chains. They are American Medical Enterprises, American Medicorp, Beverly Enterprises, Extendicare and Hospital Corp. of America. From 1968 to 1969 their combined revenues rose from $86 million to $250 million—and to $190 million in the first half of 1970. Even while acquiring, earnings more than kept pace, rising from $4.4 million in 1968 to $14 million in 1969 and to $11 million in 1970's first half."

10 years ago

(From the issue of Oct. 21, 1985)

"**In a few weeks** the new Ford Taurus and Mercury Sable cars will pop into showrooms. Be prepared, GM and Chrysler: These are sensational cars, like nothing from Detroit in years. In an age of niche cars—cars for specialty markets—these are frankly family cars. Right or wrong, Ford thinks it knows where it's going: right into the middle of the market."

"**Lightly populated** Finland, a country with only 4.9 million people in an area the size of California, now boasts one of the world's best-performing economies. Its economic growth rate in the last five years is double that of the rest of Europe, faster growing on average over the last ten years than any developed nation save Norway and Japan."

Bernd Carstens Rolla Foxes Woodlin Group

The interior of Stockman's Helsinki department store.

Would you have suspected drunk or drugged train drivers couldn't be checked by the railroads to see if they were until now? This, despite the fact that in the past ten years there have been dozens of railroad accidents, deaths and injuries, plus tens of millions in property damage directly attributed (after the fact) to alcohol or drug consumption by the trainmen. It was not until a couple of weeks ago that the Department of Transportation gave the railroads the power to test suspected employees. Only in December will it become for the first time *illegal for train operators to be drunk on duty.*

–MALCOLM FORBES (1985)

A Text . . .

This book of the law shall not depart out of thy mouth; but thou shall meditate therein day and night, that thou mayest observe to do according to all that is written therein: for then thou shalt make thy way prosperous, and then thou shalt have good success.
–JOSHUA 1:8

Sent in by Richard S. Schrimp, Elmwood, Ill.
What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

Remember, it hasn't gone away—the 4,500-mile bitterly disputed border between Russia and China . . . When we are eyeballing with Russia on the Middle East or Indochina . . . we must remember the growing tension-increasing absorption with China ...
–MALCOLM FORBES (1970)

The longer is the excuse, the less likely it's the truth.
–ROBERT HALF

All one's life as a young woman one is on show, a focus of attention, people notice you. You set yourself up to being noticed and admired. And then, not expecting it, you become middle-aged and anonymous.
–DORIS LESSING

Laughter is not a bad beginning for a friendship, and it is the best ending for one.
–OSCAR WILDE

Science may have found a cure for most evils; but it has found no remedy for the worst of them all—the apathy of human beings.
–HELEN KELLER

God gives us our relatives; thank God we can choose our friends.
–ETHEL MUMFORD

Of yore, when gold was
fiscal god,
We had a Golden Rule,
But that was when we
Worked to eat,
And did our stints in
Sunday School.
–ART BUCK

I've learned that people without children always know just how you should raise yours.
–29-YEAR-OLD'S DISCOVERY

One never notices what has been done; one can only see what remains to be done.
–MARIE CURIE

Man wrote the Bible, not God. God wrote the books of Sciences, and man figures them out.
–GARY A. FELDMAN

Perhaps one has to be very old before one learns how to be amused rather than shocked.
–PEARL BUCK

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I am, at heart, a tiresome nag complacently positive that there is no human problem which could not be solved if people would simply do as I advise.
–GORE VIDAL

Put a rogue in the limelight and he will act like an honest man.
–NAPOLEON

One's own vanities and humiliations I find a delicious subject for conversation. Things said of me behind my back I don't enjoy, and don't listen to them.
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I have always had a dread of becoming a passenger in life.
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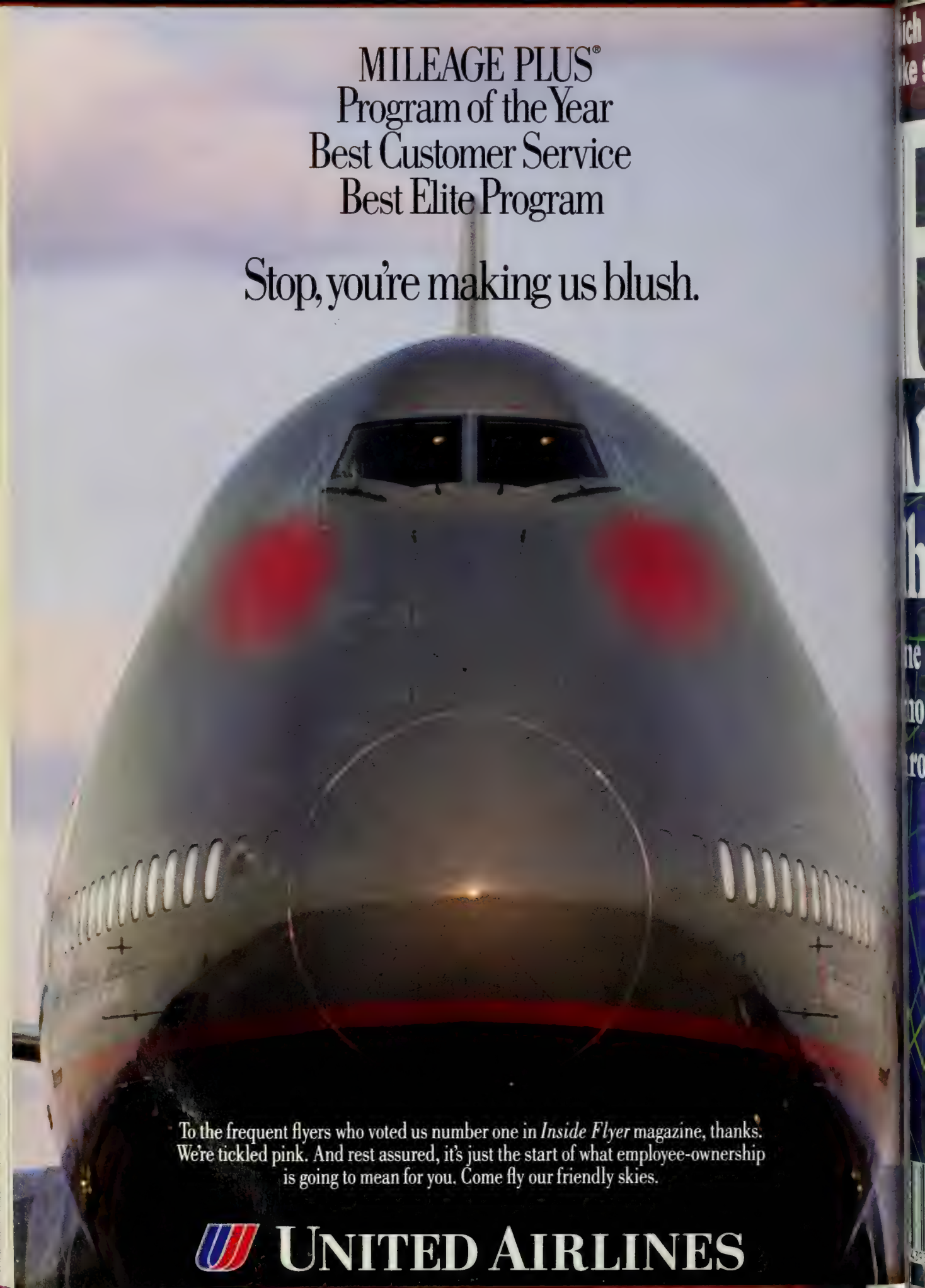
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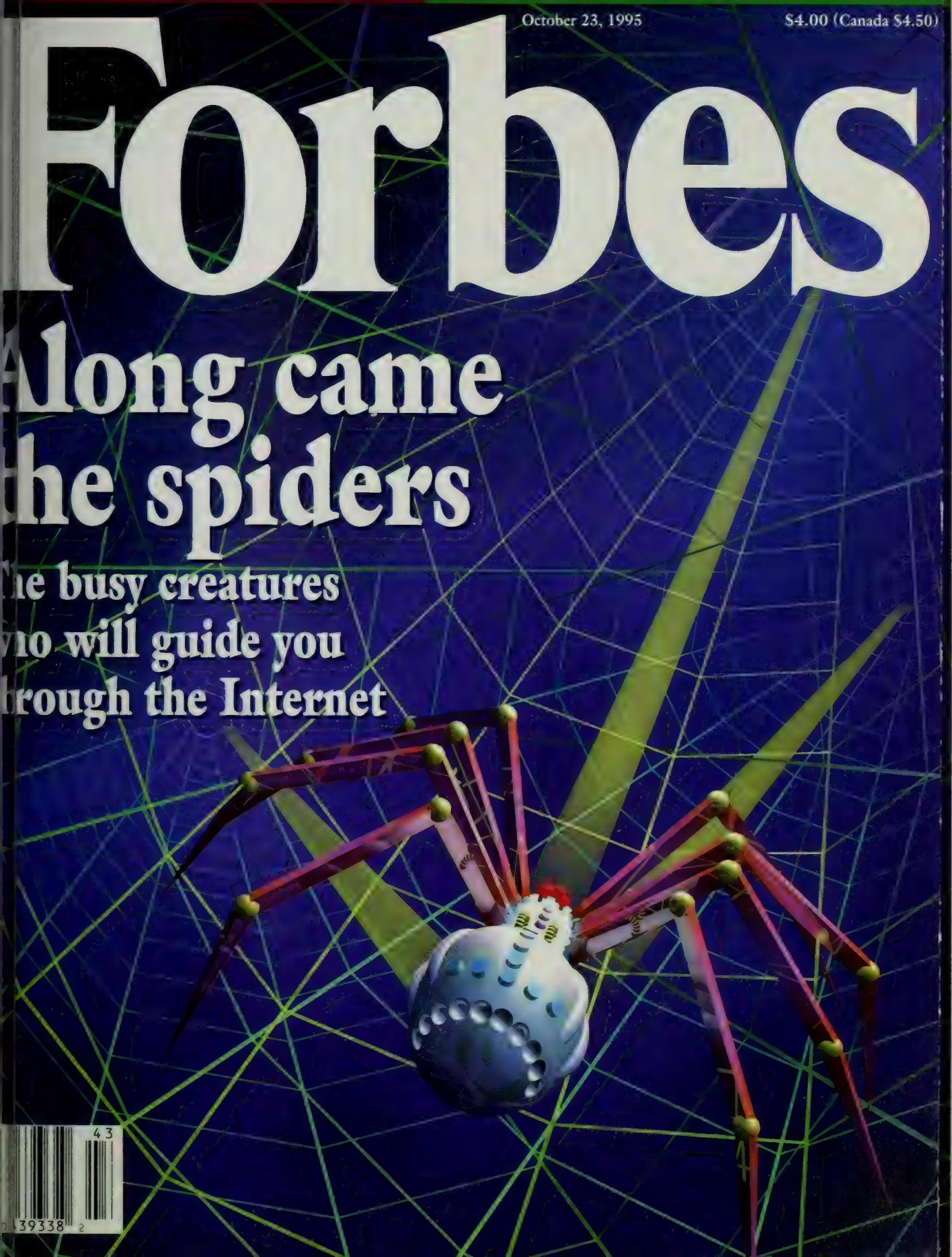

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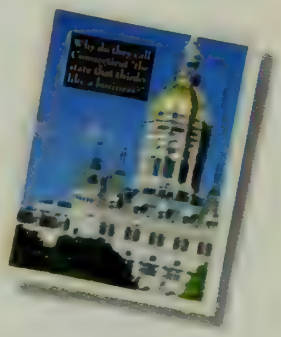

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Web crawling

NIKHIL HUTHEESING AND PHILIP ROSS collaborated on this issue's cover story, "Along came the spiders." Is FORBES magazine getting into entomology? No fear. Our spiders have only this in common with the insect variety: Both kinds crawl on webs and both kinds are almost infinitely patient. The spiders that interest Nikhil and Phil are software gofers that crawl about the World Wide Web gathering information. Nikhil Hutheesing explains:

"Surfing the net might be fun for techies, but if you want specific information in a fair hurry, it's not the way to go. The way to go is to use an electronic spider. We found dozens of spiders—and there may be hundreds out there."

Philip Ross

I asked Nikhil for a simple analogy of what these things do. He responded: "You could 'surf' this magazine in search of a specific company by going through it page by page. But you can find it quicker if you use the index. Spiders are like index pages. They are imperfect but at the moment the best means for searching the Internet."

Nikhil describes an experiment:

"We decided to send a spider to get us information on heart attacks. Called up the spider called Lycos. Typed in 'heart attack.'

Nikhil Hutheesing

"Up came 3,819 entries. All over the lot. Ranged from Yeltsin and his heart attack to music by the Beastie Boys with the phrase 'heart attack' in it. One looked promising—how to reduce risk of a heart attack. Clicked on the address, and it took me to a Rexall Co., in Colorado Springs. It was just a list of doctors' names at this medical facility.

"Lots of other false starts and useless information, but finally I clicked on a Virtual Hospital—a choice offered by Florida's Melbourne Internal Medicine Association. The Virtual Hospital had a search engine of its own for its database of information. I typed in 'heart attack' and up came a list of detailed information. At last!"

Why should readers of a business magazine be interested in electronic spiders, crude as they are? Because, as Ross and Hutheesing point out, the critters are getting smarter by the day and the time isn't too distant when many of us will be using them—or whatever evolves from them—in our jobs and our investments. We will need them as guides through the growing information treasure awaiting us out there on the Internet.

By the way, in the course of their experimenting with spiders, one of them came back to Nikhil and Phil with an article that had been lifted verbatim from FORBES by somebody without our permission. Never can tell what you will find out there.

James W. Michaels
Editor

ephants strike up an acquaintance by intertwining their trunks. It's both a greeting and a way of sizing each other up.

Nothing is more natural than the desire to make personal contact. Even elephants have evolved numerous types of behavior to ensure the cohesion of the group as well as maintain mutual respect.

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Joseph A. Gutherz, Kelly Emery, Rick Johnson,
Donna Tarr, Linda Loren
Atlanta: John H. Reock, Mgr.;
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Tokyo: Hirowo Itow, Japan Regional
Adv. Dir.; Hiroyuki Nakagawa,
Japan Adv. Sales Mgr.
Marketing Services:
Marisa Marks, Dir. Marketing & Promotion
Carol Nelson, Dir. Spec. Sections & Prog.
Frank Dolcimascolo, Dir. of Research
Advertising Business:
Joyce McCracken, Mgr. Sales Information;
John Weinberg, Diane Loparnos, Robin Stein;
Patricia Deckelnick, Adv. Services Manager;
Ana Maria Miranda, Cathy Schwartz

FOLLOW-THROUGH

EDITED BY MICHAEL SCHUMAN

Ivana strikes back

FORBES poked fun at some sweaters Ivana Trump was selling over the Home Shopping Network *(Nov. 7, 1994)*. But Ivana gets the last laugh.

As a result of the article, Bear, Stearns introduced Ivana to its client, J.C. Penney Co., which agreed to carry her flowery-scented Ivana perfume line. Ivana says the initial order is $3.2 million, so sales to Penney alone could top $10 million in the next 12 months. Not bad for a company clearing just $5 million pretax annually so far.

Barry Talesnick/Retna Ltd

Ivana Trump
"I am a businesswoman."

Not that it was an easy sell. In the past, big department stores have been frustrated with stars like Priscilla Presley, who were initially gung-ho in supporting their perfumes, but got scarce once the stores were flooded with inventory. Counters Ivana, "I don't sing, I don't dance. I don't tell jokes real well. I'm going to be there. This is what I do every day. I am a businesswoman." Take that, Donald.

–DYAN MACHAN

Off the Mark?

AFTER EXPERIENCING a subpar earnings quarter a year ago, Colgate-Palmolive Chairman Reuben Mark boasted: "I will bet my mortgage ... that our gross margins will be up again this year" *(Sept. 26, 1994)*.

The $7.6 billion household products company rebounded, but for 1995 he isn't making the same bet: "For the first time in 12 years we won't have an increase in earnings."

The main problem: Mexico. In 1994 Mexico provided 11% of Colgate's sales and more than 20% of profits. This year Mexico's downturn has been so severe that Colgate's third-quarter unit sales there are expected to plunge at least 15%. Earnings per share from operations this year will fall 6%, to $3.60. And there's little likelihood of a recovery until mid-1996.

Mark also announced a plan to shutter or reconfigure 24 plants worldwide and eliminate 3,000 jobs over the next two years. By 1998 he figures that will produce $100 million in aftertax annual savings which he plans to reinvest in new products, marketing and equipment. But Colgate will take a $369 million charge in the third quarter, lopping $2.54 off 1995's per-share earnings.

Excluding Mexico, sales are up 16%, so Mark predicts next year's earnings will reach record heights. Says Mark: "I'll bet my mortgage again."

–HOWARD RUDNITSKY

Rising sun

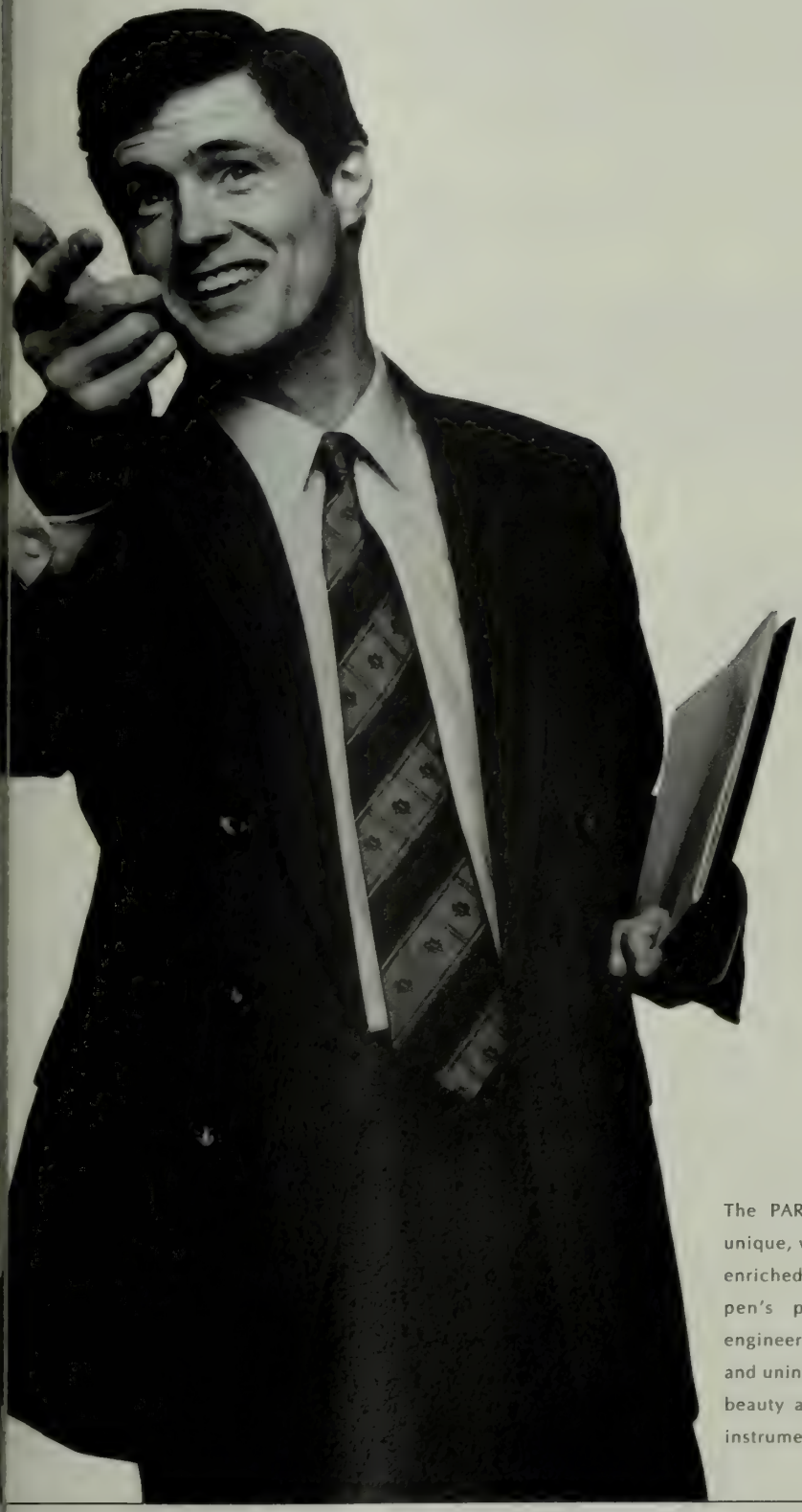
LAST YEAR South African casino king Sol Kerzner bought control of Merv Griffin's struggling Paradise Island hotels. Kerzner thought that he could revive Bahamas tourism using the same flash that made his Sun City resort legendary back home *(Sept. 26, 1994)*.

Kerzner renovated the old Paradise Island Resort & Casino, adding a giant water ride and outdoor aquariums with live sharks. The hotel, renamed the Atlantis Paradise Island, opened in December, and this year occupancy

Roger Sandler

South Africa's Sol Kerzner
Now he's tackling the U.S. market.

NEVER SETTLES FOR SECOND BEST



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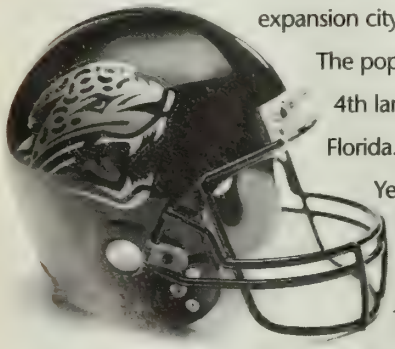

THE EXPANSION CITY

Jacksonville

ON FLORIDA'S FIRST COAST

This message is a cooperative effort of the Jacksonville Chamber of Commerce, The City of Jacksonville, Clay County's Committee of 100 and the Jacksonville business community.

jumped 16 percentage points to over 85%. The stock of Sun International Hotels, the Nasdaq-listed firm that owns the Atlantis, has jumped 165% in the past year, to a recent 62¼.

Now Kerzner is making his first entry into the U.S. casino market. Sun is building a $250 million casino complex in Connecticut with an Indian tribe, due to open next fall.

Thawed out

WHEN WE VISITED Burlington Coat Factory Chairman Monroe Milstein, he implied the clothing retailer was recession-proof (*Nov. 12, 1990*). So why is Milstein barely squeaking onto The Forbes Four Hundred?

Maybe New Jersey-based Burlington is recession-proof, but not weatherproof. The 1993-94 New York winter was the fourth-snowiest since 1912, producing a blizzard of sales. Milstein, who believes cold winters follow each other, built a 20% larger inventory for this past winter.

But the 1994-95 winter was the

Gary Clement

eighth-driest, and same-store sales dropped at least 8%. The big chill came from the stock, which has fallen 54% since its 1994 high to a recent 13. Earnings dropped 67% last fiscal year to 37 cents a share.

Milstein is pushing the chain's menswear, children's clothes and furniture. But outerwear accounts for at least 35% of sales, and the weather service is predicting a warm winter.

The lesson: Don't make bets on Mother Nature.

–WENDY GIMAN

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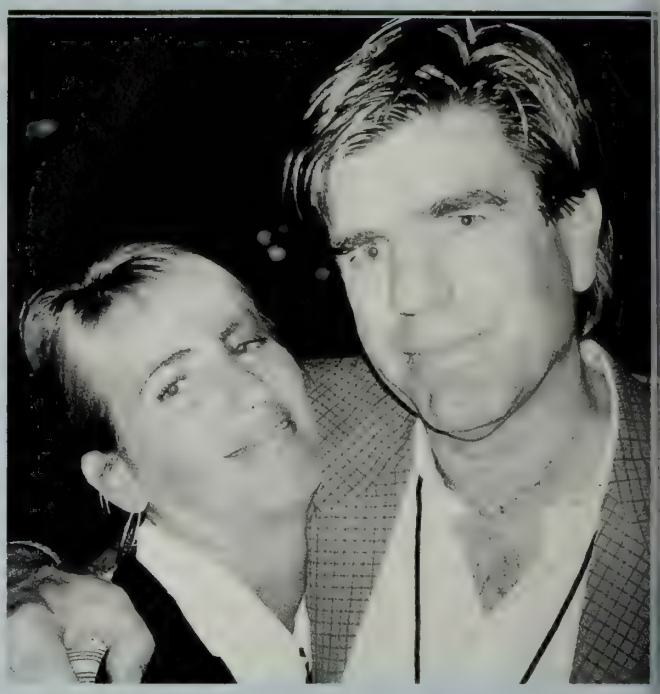
A second farewell

"I LOVED THAT I knew Joni," oozed Music Television Networks Chairman Thomas Freston at a memorial service in Manhattan for Joni Gail Abbott, 36, who killed herself on Sept. 6 with an overdose of sleeping pills. It turns out Freston knew the beautiful Abbott quite well. It was common knowledge around the MTV offices that Abbott and Freston were romantically involved for the three years that led up to her departure in February of this year. In the nine years she worked at MTV, Abbott rose to director of talent relations until she supposedly quit the company in what MTV execs are calling a corporate reorganization.

But sources close to her family and at the company say she was forced out shortly after her relationship with Freston faded. "She felt like she had no life," says a close friend. "When her job ended, everything ended."

Among her duties at MTV was the difficult task of assigning the seating to the image-addicted celebs at the highly rated *MTV Video Music Awards* broadcast the evening of Sept. 7. Ironically or not, on the day before this event—the seating job now in other hands—Joni Abbott killed herself. What say the execs at MTV? A spokesman mourns: "Our hearts go out to her family."

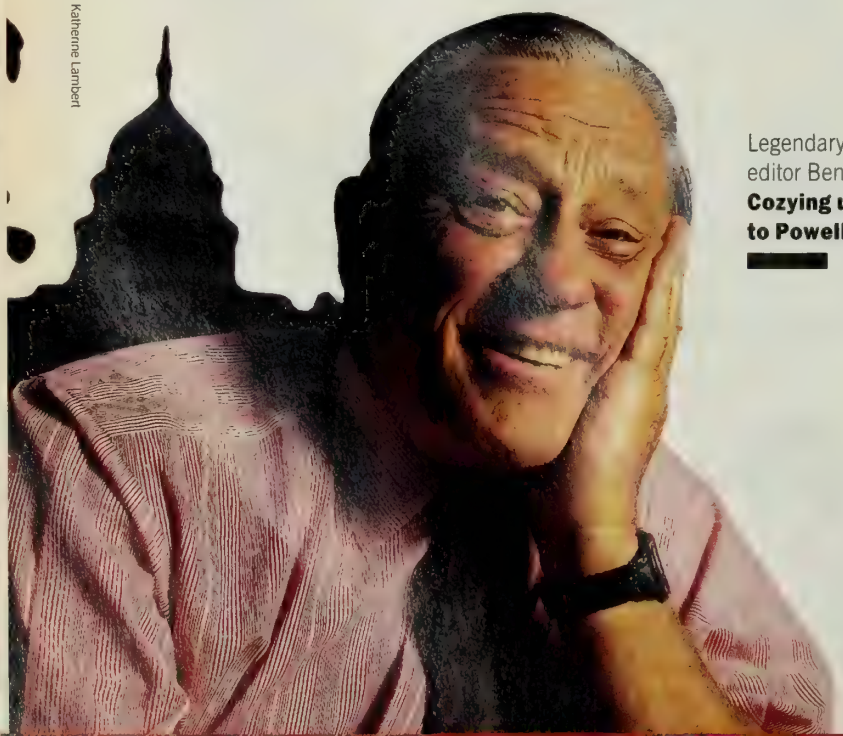


MTV Networks Chairman Tom Freston with Joni Abbott
Abbott killed herself the night before the MTV awards.

Operation White House

RETIRED *Washington Post* executive editor and friend-of-JFK Ben Bradlee cherishes his relationships with powerful people. In his just-published autobiography, Bradlee writes of his deep friendship with John F. Kennedy. Bradlee just can't seem to shake his presidential associations. His tenant in the house he owns next door to his own 18th-century mansion in Georgetown is former investment banker Charles Kelly Jr. Kelly, a former Air Force lieutenant and Yale Law School graduate, is chief organizer of Citizens for Colin Powell, the group that is expected to lead the general's campaign for the Republican nomination.

Katherine Lambert



Legendary "Post" editor Ben Bradlee
Cozying up to Powell?

Dirty minds?

PUBLIC relations scandals come in all shapes and sizes, as the Dial Corp has recently discovered with its highly controversial new aerosol can for Dial's Renuzit Fresh Cut Flowers air freshener.

"It is a tulip and nothing more," said Nancy Dedera, a spokeswoman for the Phoenix-based company. Dedera is referring to a tuber on the can's floral packaging that generated hundreds of telephone calls to local radio talk shows. Dedera insists that the object in question was "misperceived as part of the male anatomy." Dial did not

David Hamsley

The infamous can

withdraw the phallic-looking packaging.

On Golden Pond

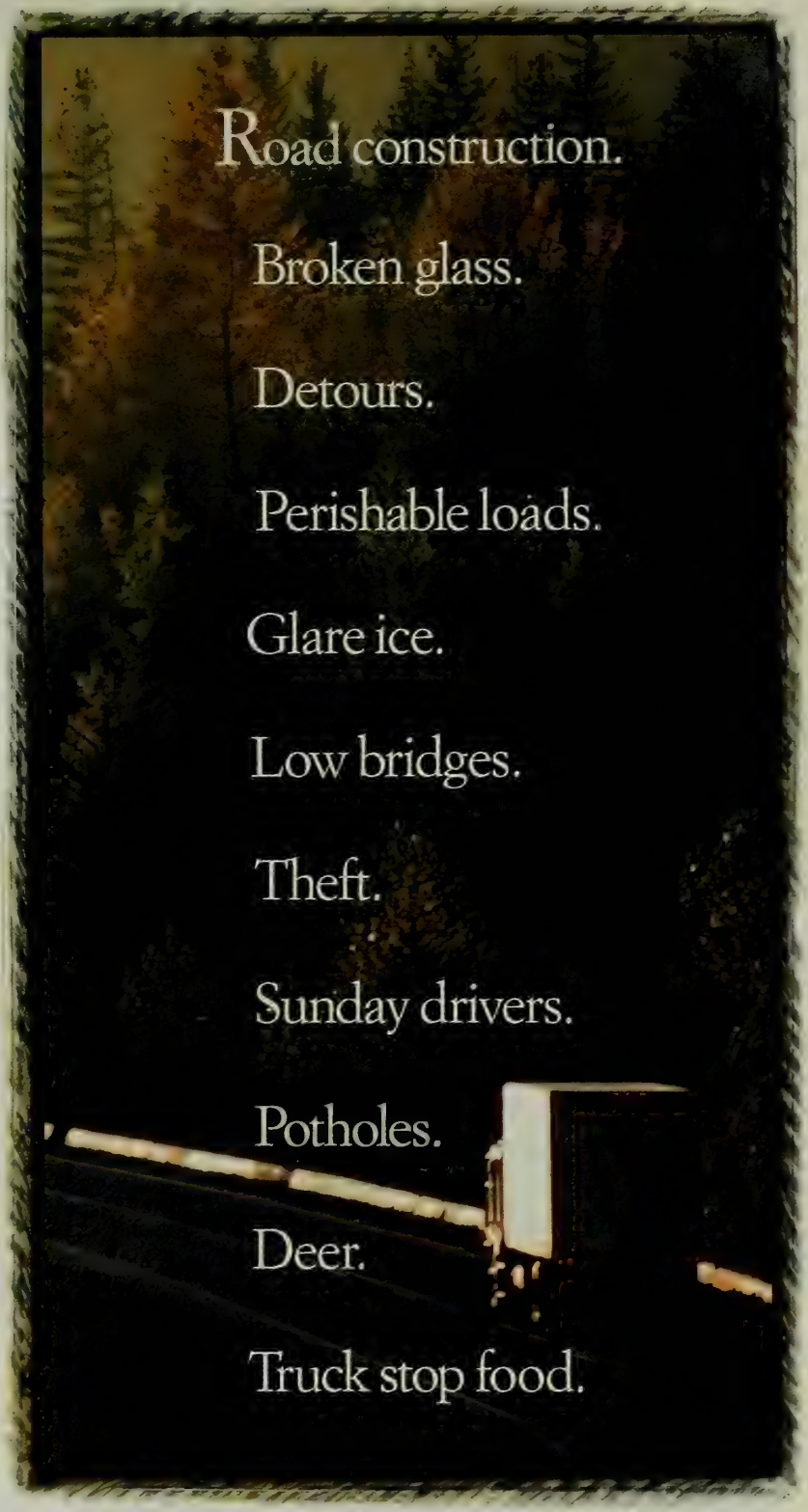
LAST MONTH rock star Don Henley staged a fundraiser for the Walden Woods Project, his nonprofit organization to preserve the woods surrounding Henry David Thoreau's Walden Pond. Thoreau, that down-to-earth apostle of simple living, would have been mystified, to say the least.

To raise money, Henley and a couple of business associates auctioned off a mess of celebrity paraphernalia: An autographed Robert Redford script went for $1,500; a

Steve Eichner/Retna

Tennis wonder
John McEnroe
Meditation anyone?

half-hour guitar lesson with all-American heartthrob-singer Bruce Springsteen sold for $13,000. Two of Neil Young's harmonicas brought in $8,100. But the highest bid—$30,000—went for a lesson with petulant tennis bad-boy John McEnroe. Maybe the winner and McEnroe could sit on the pond's shore and scream at the geese.



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Warm fuzzies?

SIR: Re "What are condoms made of?" *(Sept. 11)*. Learning is far more than discipline and memorization. It is also critical thinking, creativity and analysis. Students need to learn how their classroom experience applies to the challenges which they will face in the adult world.

It is because of, and not despite, our secondary education at Clarkstown South that we read publications like FORBES.

–J. HEATHER CULLEN
–JUDITH DICKSTEIN REMONDI
Quincy, Mass.

SIR: Any system not based on discipline, hard work and high standards is destined to fail. The credo that there are no right or wrong answers, simply different interpretations, is inappropriate and incorrect. Warm fuzzy teachers are not healthy. Are we such a timid nation that schools should attempt to build self-esteem and foster the fear of disagreement?

–DAVID BRANDON
Norman, Okla.

Reed writes back

SIR: On Apr. 11, 1994, you published a Fact & Comment telling the FCC to "call off" the auctions. You argued that technology would render the value of the spectrum to nothing and, therefore, companies shouldn't pay a nickel for it. Apparently industries disagreed, since to date they have spent $9 billion in our auctions.

Now comes an article, "Let's shrink Reed Hundt" *(Sept. 11)*, suggesting we are trying to give away public property by virtue of a proposal that broadcasters provide time for public discourse. The article misses the point: the spectrum you claim we are giving away cannot, under current law, be auctioned.

Curious and curiouser.

–REED E. HUNDT
Chairman
Federal Communications Commission
Washington, D.C.

Dead or live?

SIR: Re "Coupon clippers" *(Sept. 25)*. You relate the Grateful Dead's future to that of the Beatles and Nirvana. Your inference is that the band will succeed whether it tours or not. Hardly the case: the Dead's studio albums have never been very good, and their album sales reflect that. Their income is derived almost entirely from live performances.

–ERIC GAUGER
Malibu, Calif

Not just a starlet

SIR: Re "The Top 40" *(Sept. 25)*. Demi Moore a "starlet"? Please. Perhaps you should call Jim Carrey an "actorlet." He's made fewer movies than Ms. Moore has.

–CELIA CHAPMAN
North Hills, Calif.

Jeff Slocomb/Outline

Actress Demi Moore
She will make $12 million this year.

Raul Vega/Outline

"Actorlet" Jim Carrey
Fewer movies, more money than Moore.

Support group

SIR: Re "We can own" *(Sept. 25)*. You implied that Geffen Records, the band's label, was unsupportive at a critical time in Aerosmith's career, citing an instance where I raised an additional $165,000 to cover production for *Permanent Vacation* as an example of this. This is incorrect, as when I raised this particular sum we were not even recording for Geffen Records—this being an amount that I used to help fund the reunion of the band in 1984.

–TIM COLLINS
Manager
Aerosmith
Cambridge, Mass.

Beyond DNA

SIR: Re "Fact & Comment" *(Sept. 11)*. My sister and I grew up knowing we were adopted, and never harbored wishes to search for our biological, "real" parents. Genetics is just the start of a long road called parenting.

–H. CLARK FEDERER
Chicago, Ill.

¡Viva librarians!

SIR: Re "Whither Moore's law?" *(Sept. 11)*. Saying that fewer librarians will be needed when computers can do their work is like saying that fewer doctors or engineers will be needed when computers can do their work. When you give a profession a tool, you don't replace the professionals. As the volume of information grows, the need for the unique intellectual approaches of professional librarians will increase, not decrease.

–DEANNA MORROW HALL
Decatur, Ga.

First, do no harm

SIR: Re "The big bang approach" *(Sept. 25)*. Because of designated formularies for prescriptions, doctors can no longer simply prescribe whatever drugs they feel are best for their patients. Numerous cases have emerged of patients receiving different drugs than those prescribed by their doctor without the doctor's knowledge. This frightening development was confirmed in a survey of Tennessee doctors that found over 60% of physicians had patients who experienced heart attacks, strokes, or other severe side effects resulting from unauthorized changes in medication. By focusing on the fiscal issues, you overlook what still remains the purpose of giving physicians the freedom to practice medicine as they see fit: providing patients with the proper medical care.

–STUART ANDERSON
Arlington, Va.

Handle with CAUTION!

he fact that professional photographers use the Olympus® nfinity SuperZoom 3500 as their personal snapshot camera has een a source of confusion lately. People are making the erroneous ssumption that anyone carrying an Olympus SuperZoom is a rofessional, and this leads to potentially awkward situations. eing mistaken for a member of the press can mean offers of otel or airline discounts, preferential treatment at restaurants nd even free admission to cultural events. Finding yourself rongfully whisked into a VIP lounge, or cornered by some fame-ddicted celebrity can be a disorienting experience – but luckily it s avoidable. In the event that you are mistaken for a professional ecause of your SuperZoom, simply explain that the only reason o many professionals are attached to it in the first place is that t's easy to use and takes great snapshots. Point out that the najority of SuperZoom owners are, n fact, just amateurs like yourself.* Ve at Olympus believe *we'll all et through this difficult time,*

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"YOU TAKE CARE OF THE THINGS YOU CARE ABOUT.

"It's up to all of us to take care of the Earth, as well as the things that live here. I work for Georgia-Pacific, a forest products company, and they

believe the same thing. When we learned that the Coho salmon and Steelhead trout were struggling to survive, we came up with a plan to help. We're putting large boulders and logs in the rivers to create calm pools where the small fish can grow and survive until they head out to the ocean. It was something that needed to be done to help the fish. And it feels good to know that my company is doing it." *Dick Patton, Resource Manager*

habitat

Georgia-Pacific

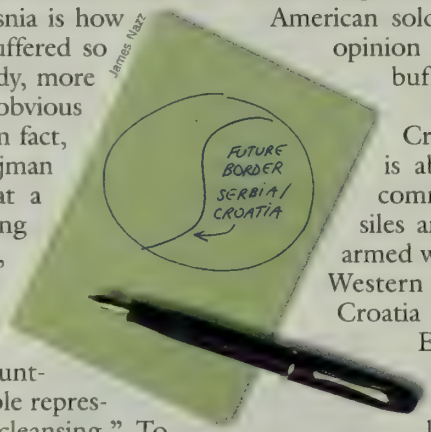
"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*

THE GREAT UNANSWERED QUESTION

about the upcoming settlement in Bosnia is how that country avoids the fate Poland suffered so many times: being partitioned by greedy, more powerful neighbors. In this case the obvious carver-uppers are Serbia and Croatia. In fact, in May Croatian President Franjo Tudjman indiscreetly told a British politician at a state dinner in London that the divvying up of Bosnia is what he happily foresees, and then he jotted down a map on the back of a menu, showing how his country and Serbia would share the spoils.



This would mean the slaughter of countless numbers of Muslims and the forcible repression of those who survived such a "cleansing." To avoid any such bloodbath, diplomats say, American ground troops must be a part of any settlement. But American soldiers are not the answer here. Public opinion will not support such an open-ended buffer role.

NATO must make clear to Serbia and Croatia that the Bosnian rump state that is about to be created will have the full commitment of NATO war planes and missiles and that Bosnian troops will be amply armed with the most modern of weapons. And Western Europe should repeatedly remind Croatia that its ability to trade with Western Europe and to become a member of the European Union depends entirely upon nonaggressive behavior. The longer a peace can be kept, the more likely that more and more increasingly prosperous Croatians will oppose a war of aggression.

STOP THIS STRONG-ARMING

REPUBLICANS ARE TOYING with the idea of having the IRS farm out the collection of delinquent taxes to private-sector bill collectors who would receive sensitive information about taxpayers that normally remains within the confines of the government.

The idea is a bad one. Sure, enforcers outside the federal government might be more "efficient" and cheaper, but any such savings are not worth the price of this gross invasion of privacy.

Unquestionably, compliance with the tax code is declining. Self-compliance was once a characteristic that sharply distinguished us from other nations. But the real villain here is the sheer complexity of the tax code itself. It is axiomatic in history that the more complicated tax law becomes, the less revenue is paid and the more nasty—or corrupt—tax collectors become.

G.O.P. Wants I.R.S. to Use Bill Collectors

Hired Outsiders Could Get Data on Taxpayers

–New York Times

For almost 20 years Washington and the states have been obsessed with tightening the rules and increasing resources to bring in more money. Result: growing resentment from taxpayers. And no wonder—some 40% of the delinquent notices the IRS sends out are mistakes.

The answer is to junk the current code and enact the flat tax. The resulting simplicity would enormously increase compliance, would remove the major sources of political corruption in Washington, would set off an economic boom because people could keep more of each dollar they earned, and would eliminate barriers to job-creating investment.

SIMPLE WAY TO SAVE $$$

ONE QUICK WAY to reduce the deficit is to index government bonds for inflation. Uncle Sam could then sell long-term debt with coupons as low as 2%. Britain began indexing its government paper in the early 1980s. London now issues bonds with maturities for almost 40 years, with interest rates averaging around 3.5%.

After an indexed bond is sold, interest and principal are geared to reflect inflation. Since investors know that they will earn a "real" return, they don't expect a premium in interest rates as compensation for unknowable levels of future inflation.

Our Treasury Department has resisted the idea since the Brits started it nearly 15 years ago. Too bad. In the early 1980s we were issuing long-term, fixed-rate bonds

with coupons of up to 15.75%. If we had started indexing them, we would have saved literally tens of billions of dollars in interest payments, as inflation plummeted from 13% to 4%.

The Clinton Administration has been shortening the average length of our debt as a gimmicky way to reduce the budget deficit. This is a dangerous trend, the most extreme example being Mexico, which relied almost entirely on short-term maturities and was thus extraordinarily vulnerable to financial shocks.

Indexing would also reduce the temptation of the Federal Reserve to engage in inflationary policies, knowing that the government would immediately face higher costs.

Ultimately, of course, the best lower-interest-rate policy is refixing the dollar to a fixed measure such as gold. In the meantime, indexing is a sensible bridge.

GIVE PEACE A CHANCE

NOW THAT ISRAEL AND THE PLO have signed an historic agreement concerning the West Bank, both sides should be urged to shuck off some deeply ingrained philosophical barriers to economic progress.

Israel today is one of the most overregulated, overtaxed nations. Income tax rates rapidly reach 50%, and there are numerous indirect taxes. It costs an employer more than $3 to give a worker an aftertax salary increase of $1. If Israel were to enact a flat tax—as a small group of Knesset members are proposing—and sweep away some of the more ridiculously onerous rules, the country would quickly reach double-digit growth rates. Its highly educated, hard-working, innovative work force guarantees such a result.

The government in Jerusalem would then be in a position to advise the Palestinians—even more statist-minded than the Israelis ever were—to do the same. Since the Palestinians began achieving more self-rule, government decrees and taxation have become oppressive. The new governing authority not only has stamped out grassroots entrepreneurship but also has introduced a wave of outright thuggery.

The only hope for lasting peace is if this region becomes a hothouse of prosperity.

ECONOMIC MALPRACTICE—AGAIN

ARGENTINA'S FREE-MARKET finance minister, Domingo Cavallo, recently survived an assault from his country's retrograde political forces. But the economic slump that has been fueling the attacks against him underlines yet again how destructive the economic medicine and advice are that we and the International Monetary Fund administer to other nations.

Gary Payne/Gamma Liaison

Cavallo: How long can he and his country survive bad medicine?

Starting in 1991—and with the full support of President Carlos Menem—Cavallo began liberating a nation that was suffocating under excessive inflation, taxation and regulation. By strictly tying the value of the peso to the dollar via a currency board (no peso can be issued unless it is backed by hard currency), Cavallo quickly reduced inflation from over 2,000% to under 4%. Tax rates were cut; stifling regulations were eased; and state-owned companies, including telephone and oil, were privatized. Until last December's Mexico crisis, Argentina was enjoying an impressive annual growth rate of almost 8%.

Now, thanks to IMF-imposed austerity, Argentina is writhing in recession. When Mexico abruptly devalued its own peso, speculators attacked Argentina's, figuring it would quickly succumb. Foreign capital was withdrawn from Argentina, sharply reducing the money supply and bringing on a devastating credit crunch. Knowing the huge costs of inflation-causing devaluations, Cavallo fought back, impressively cutting government spending.

But Argentina needed temporary loans to ease the credit shortage. Alas, with our connivance, the IMF provided the necessary funds but demanded higher, anti-growth tax increases in return. If the Clinton Administration knew what it was doing, it would have told the IMF to extend the money and require Buenos Aires *not* to boost such growth-inhibiting exactions.

The peso was saved, but the unnecessary economic slowdown is making it extraordinarily difficult for the government to introduce another round of needed reforms—particularly with regard to onerous labor laws and a hemorrhaging health care system—to stimulate further growth.

Once more, Washington has gratuitously hurt the cause of democratic, free-market capitalism.

RESTAURANTS—GO, CONSIDER, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES *eatery experts Jeff Cunningham and Tom Jones.*

● **Le Périgord**—405 East 52nd St. (Tel.: 755-6244). Menu, decor, captain, waiters and flowers all speak of an earlier, grander era for New York French restaurants. While old-fashioned, Le Périgord retains a freshness and vitality. Delicious food: perfect cold foie gras with Sauterne jelly; a simple and superb artichoke vinaigrette; beef stew; grilled Dover sole; cooked-to-order shad roe.

● **Thomas Scott's on Bedford**—72-74 Bedford St. (Tel.: 627-4011). While the setting is charming and romantic, the food is terrible.

● **Hangawi**—12 East 32nd St. (Tel.: 213-0077). Unusual Korean restaurant. Vegetarian menu with such specials as pumpkin porridge, tofu roll and mushroom bulgogi. Traditional Korean full-course meal, pleasing, light and satisfying.

● **La Ripaille**—605 Hudson St. (Tel.: 255-4406). Like L'Auberge du Midi, this is an atmospheric West Village French bistro. Try the fish and game dishes.

● **Vong**—200 East 54th St. (Tel.: 486-9592). Unique, like eating on the set of *The King and I.* Try appetizers such as crab spring roll with tamarind dipping sauce or sautéed foie gras with ginger and mango. Entrées, just as special: lobster with Thai herbs; roasted chicken with lemongrass; black bass with black trumpet mushrooms, chestnut and lotus root broth. Desserts, worth every calorie. ■

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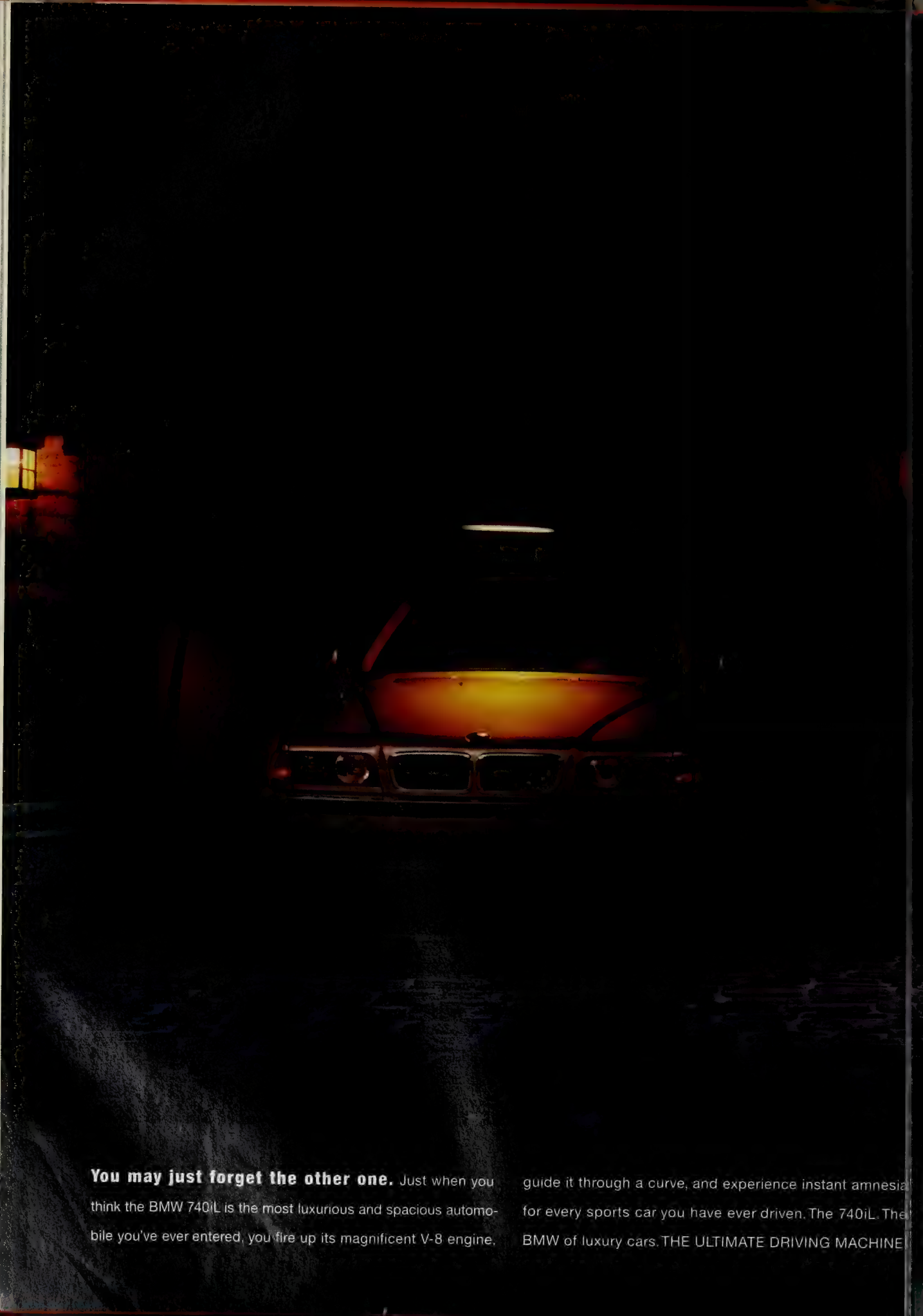
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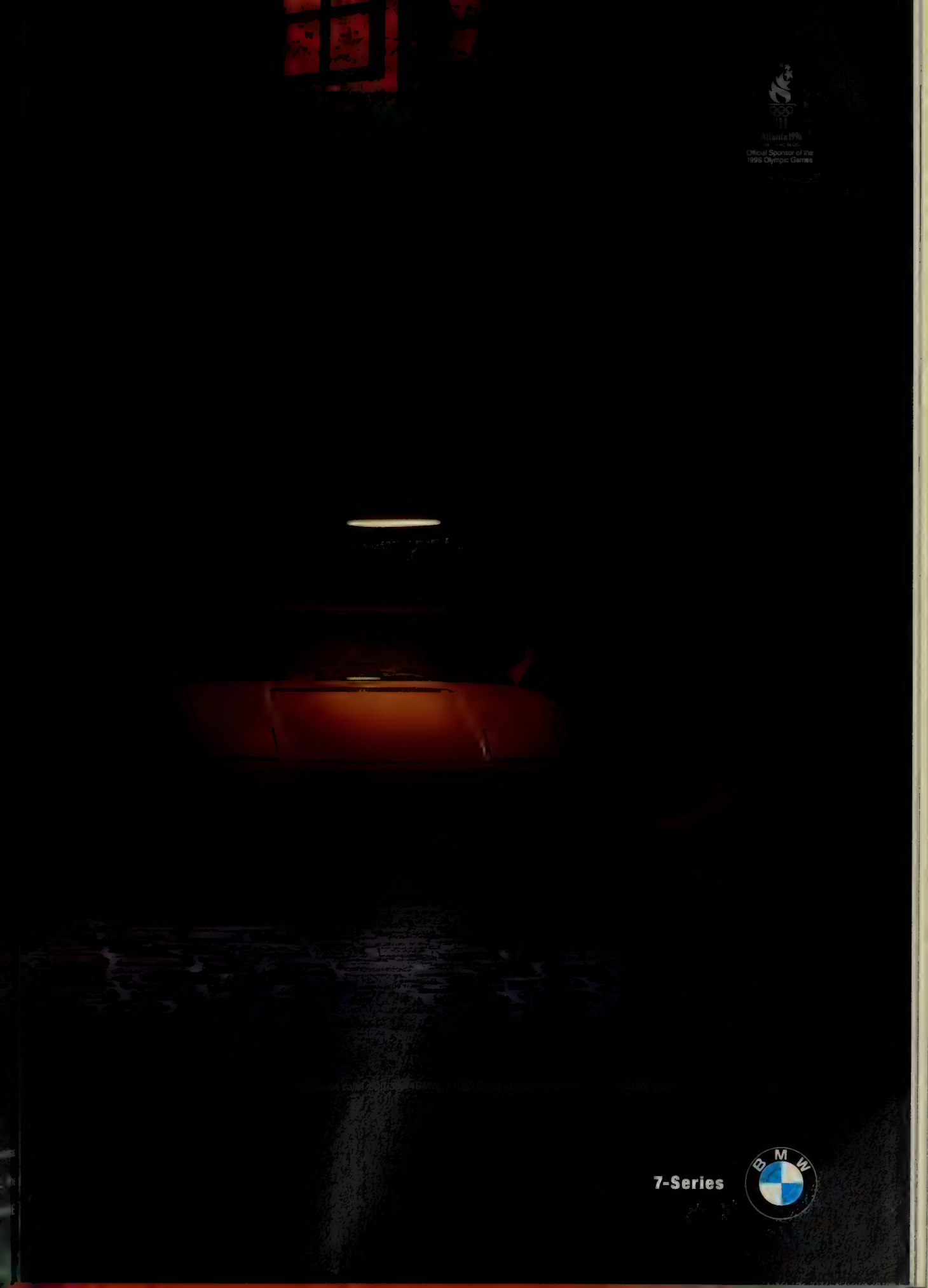
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Other Comments

Gone Security Blanket

NOTHING ON EARTH TODAY is quite as snug and secure as a Pullman berth used to be once you were fairly in it, and it seemed to me at the time that to lie there feeling the swaying and jiggling of the car's motion, listening to the faraway sound of the whistle, getting up on elbow now and then to peer out the window when we reached a station, and at last drifting off to sleep, was to know unadulterated happiness.
–BRUCE CATTON,
Waiting for the Morning Train

Hypochondria

WHAT DOES IT MEAN when Republicans and Democrats alike warn us about all the "pain" involved in cutting government spending—in *their* spending less of *our* money? Painful for whom? Maybe it's painful for politicians. But, for the average citizen, what pain is there involved in *his* keeping more of *his* money to invest it the way *he* wants? No government in the history of the world has ever borne the cost of anything. Taxes cost *people*. Tax cuts do not cost *government*.
–THEODORE J. FORSTMANN, founding chairman, Empower America

Blowing Off Steam

THE WORST SIGN OF ALL is the one that comes with that hot-air hand dryer in the men's rooms of restaurants too cheap to provide towels. "For Your Convenience," the sign says. "Prevents Chapping." What those hand dryers really do is prevent the management from having to pay for towels, prevent you from getting to the meal you're so hungry for while you shift from one foot to the other waiting for your hands to dry, and (speaking for myself) prevent me from ever going back there if I have a choice. I know what's for my protection and what's for my convenience, and I also know what's a lot of hot air.
–CHARLES KURALT,
in *Dateline America*

Long-term Advantages

THE U.S. TREASURY is considering the issue of indexed bonds—on which the payments of coupons and principal adjust automatically for changes in the consumer price index.

If indexed bonds are unavailable—as in the U.S.—then long-term funding is problematic because the unpredictability of inflation creates great uncertainty about the real value of payments far into the future. The Clinton Administration has shortened the average maturity to around five years, [which] makes the government's budget more sensitive to movements in real interest rates.

Long-term indexed debt avoids the sensitivity of real financing costs to shifts in inflation and eliminates sensitivity to shifts in real interest rates.

Indexed bonds are a win-win proposition. The U.S. government should introduce them now, when inflation is not a problem, rather than waiting for the next inflation crisis.
–ROBERT J. BARRO, Harvard economics professor and Hoover Institution fellow, *Wall Street Journal*

You don't get that many Presidents who spend their whole first term trying to figure out why they wanted to be President. It's been fun watching Bill try to work it out. Reminds you of the lady in the Gilbert and Sullivan song who "doesn't think she dances, but would rather like to try."
–RUSSELL BAKER, *New York Times*

Arid Prospects

ISRAEL'S EIGHT CLOSURES of the [Gaza] border this year have kept the 12,000 Gazans who depend on jobs in Israel from working more than an average of seven days a month. Unemployment estimates range from 40% to 60%. Shipments to the West Bank of fruits and vegetables, the Strip's only exports, have been curtailed. Investment is minimal. Gaza needs an immediate infusion of $400 million for development, but only $120 million has been pledged by international donors, and a mere $12 million has been delivered. "People's souls are dying slowly," says Asia Abdul-Hadi, a Gaza journalist. "That's worse than being shot."
–KARSTEN PRAGER, *Time*

Not Hung Up Over It

ONCE WINSTON CHURCHILL was sitting on an outside platform waiting to speak to crowds who had packed the streets to hear him. Beside him the chairwoman of the proceedings leaned over and said, "Doesn't it thrill you, Mr. Churchill, to see all those people out there who came just to see you?"

Churchill replied, "It is quite flattering, but whenever I feel this way I always remember that if instead of making a political speech I was being hanged, the crowd would be twice as big."
–JAMES C. HUMES, *The Wit & Wisdom of Winston Churchill*

Drawing by Richter; © 1995 The New Yorker Magazine, Inc.

"It's not mailmen per se. I'm just very anti-government these days."

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Commentary

on events at home and abroad

By Caspar W. Weinberger, *Chairman*

THAILAND—ANOTHER 1995 SUCCESS

THE PHILIPPINES is an example of the remarkable difference an effective, vigorous, skilled government can make to a country's economy. Thailand, on the other hand, has experienced numerous, unscheduled changes in government and yet has managed to maintain steady, healthy economic growth for many years.

Thailand's king lost his absolute authority and became a constitutional monarch in 1932. Since that time, the military has staged 17 coups—about one every three or four years. The most recent coup took place in 1991. In 1992 a civilian government replaced the military but was defeated at the polls this year. Actually, no Thai government has ever served out its full four-year term.

The present government has many plans for needed improvements, but none for fundamental changes in the economy. Between 1971 and 1993 Thailand's GDP growth *averaged* an *increase* of 7.4% a year and is now predicted to grow at least 8% a year through the end of the decade—even if there were a coup every three years.

Christian Frenel

CWW and Dr. Virawan Amnuay, Thailand's deputy prime minister of economics.

From this it could be argued that it makes little difference which government is in power. But such reasoning would be most inaccurate. The changes in Thai governments have rarely been based on ideological differences. There is widespread consensus on economic policies—especially on controlling inflation—and there is a strong reliance on the private sector to promote growth. Thailand's governments have often been charged with corruption and marked by the fragility of multiparty coalitions that come together to form a government, only to later break apart.

All this enhances the power of the permanent civil service. Thailand is fortunate in that its bureaucracy has usually provided sound economic policies. Thailand also has an excellent diplomatic corps, comprised of such distinguished people as Foreign Minister Kasem Kasemri, who was ambassador to the U.S. from 1982 to 1986 and deputy prime minister in a former government. Chances for long-term stability are augmented by General Chavalit Yongchaiyudh, Thailand's defense minister, who has served in two previous administrations and has helped thwart two coup attempts by the military. Many others in the Cabinet are skilled and experienced professionals from the private sector, and many hold degrees from American or British universities.

Despite the material benefits enjoyed by a large portion of Thailand's 59 million people, there are many problems. Foremost is the traffic gridlock in Bangkok, made worse by the addition of some 1,200 new autos every day—the price of prosperity. One of Thailand's most successful entrepreneurs, Thaksin Shinawatra, volunteered to help solve this problem by giving traffic police incentive bonuses (from his own considerable resources) to speed the flow of traffic in the worst areas. A new elevated highway slicing through the most congested areas will help, as would the long-discussed subway system. Most of the needed approvals for this 21.3-kilometer subway have finally been secured.

Thailand's wage rate is rising, and, as is the case with many of its neighbors in Southeast Asia, Thailand is moving toward mid- and high-tech industrial production (a Chrysler-Volvo joint assembly plant has just opened) and away from areas served by less-skilled workers. This, in turn, has brought about a needed and welcome increase in compulsory education, from six years to nine years.

Thailand has always been a loyal and warm friend of the U.S. But, as with many other countries during the past two years, we seem to be in danger of taking that friendship too much for granted. We made serious allegations of drug connections against two men rumored to have been up for Cabinet appointments. To date, we have not substantiated these allegations, even though Thailand has named a commission to investigate the two men. Predictably, some angry anti-U.S. voices have been raised.

In a world where we need all the friends we can get, this seems to be a curious way for us to behave. ■

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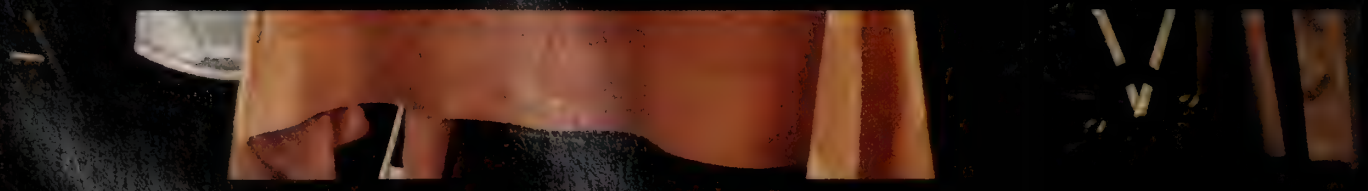
printing a report on your boss' desk,

and browsing the Internet



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Electioneering with the dollar

Denis Faligot/AP Wide World

Treasury Secretary Robert E. Rubin with Japan's Finance Minister Masayoshi Takemura

What are you going to do for me?

THE U.S. TREASURY is nurturing the theory that the August intervention to push the dollar up against the yen was a coup for America—that Japan kowtowed to Washington. Nonsense, says noted dollar watcher C. Fred Bergsten, director of Washington, D.C.'s Institute for International Economics. "What we've seen here," says Bergsten, "is one of the more extreme versions of political manipulation of the dollar for [U.S. presidential] election purposes."

Treasury Secretary Robert E. Rubin and Under Secretary Lawrence H. Summers, who is in charge of international affairs, grew increasingly concerned in the spring that Japan's growing financial crisis, especially in its banking sector, might turn into an allout depression that would spill over to hit the U.S. economy. The other leading industrial countries, notably Germany, shared this concern at their economic summit held in Halifax in June.

The collapse of two small Japanese credit unions in August, followed quickly by the bailout of regional Hyogo Bank, was all it took to spur Rubin and Summers into action. The U.S. Federal Reserve, the Bank of Japan and the German Bundesbank acted in concert to sell yen and German marks to buy $4 billion in dollars, pushing the dollar up sharply.

Rubin's immediate concern has been that the combination of a low dollar and continuing financial pressures in Japan would discourage the Japanese from buying U.S. bonds. That would make it difficult to finance the U.S. budget deficit, which in turn would spook the U.S. bond market and lead to higher U.S. interest rates. Very bad for President Clinton. Given the late stage of this economic recovery (already longer than the post-World War II average length), higher rates would kill any chance that the economy would continue to grow through next November's election.

Rubin and Summers also had another, more personal, concern. They and the U.S. Treasury had been rightly fried in the press and by Congress for being asleep at the switch last year during Mexico's financial crisis. They were determined that they weren't again going to be portrayed in the media as do-nothings, even if there wasn't much they could do to solve Japan's financial problems.

Smaller—then bigger—trade deficits ahead

WON'T THE STRONGER DOLLAR hurt U.S. exports, or at least the profitability of U.S. exporters? Not the way the Administration sees it.

White House officials argue that a stronger dollar will help contain already modest inflation. Lower inflation will further help U.S. exports, which are already very strong. Any impact of a stronger dollar on trade will be marginal.

But there's another, opposing view. Bergsten's colleague, William R. Cline, has calculated that there is a two-year lag between exchange rate shifts and their impact on the overall U.S. external, or current-account, balance. This relationship, which has held up well over time, now suggests that at present exchange rates the U.S. current-account deficit will ease somewhat from a record $180 billion late this year—but that the stronger dollar will widen the deficit starting in 1997.

In the short term, however, the stronger dollar could ease the trade deficit a little by reducing the dollar cost of imports. Short-term progress on the trade deficit will sustain the downward pressure on interest rates.

Where is the U.S.' quid pro quo?

U.S. BUSINESS LOBBYISTS are complaining that the Treasury got no quid pro quo for helping Japan by pushing up the dollar against the yen. There has, for example, been no deal that would ensure that Japan will actually reflate its economy and expand internal demand in such a way that might suck in more imports.

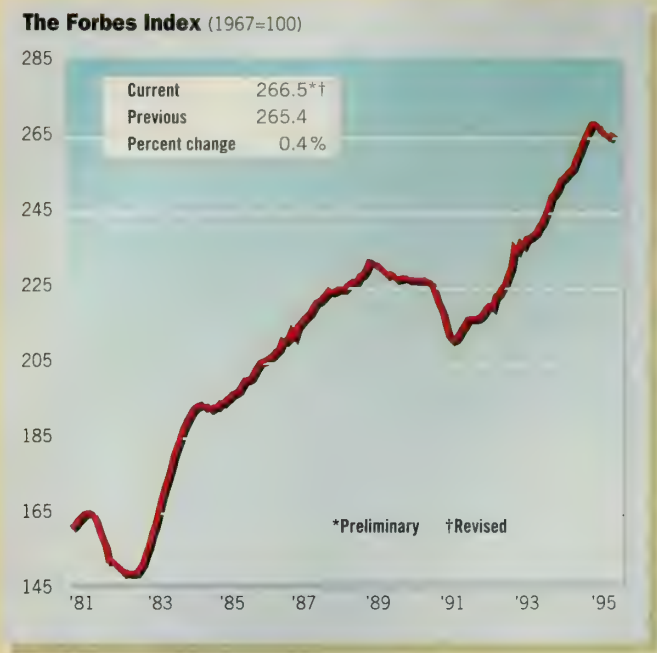
Case in point: Tokyo announced in mid-September a $137 billion emergency stimulus package. Sounds good, but note that it is but the latest in a series of such measures. Note, too, that most of the money in it, as in all of the earlier packages, is Japanese government spending that was going to happen anyway. Any added stimulus that results will be a tiny fraction of that $137 billion.

Remember that the dollar was already headed up when the Treasury acted. Capital outflows from Japan to the U.S. had been rising since early spring. So this politically motivated currency intervention caused the dollar to overshoot, to 105 yen in mid-September.

The dollar has already fallen back to around 100 yen. Look for predictable consternation as the dollar "falls" back to the mid-90s, which is where it was headed of its own volition.

THE FORBES INDEX

BY SHLOMO Z. REIFMAN



"Consumers have gotten their second wind," argues economist James Glassman at Chemical Securities in New York City. Glassman points to recent data on new single-family home sales: Although August 1995 home sales declined 10% from July, they're 6% above the August 1994 level. This comes on top of a 25% increase for July of 1995 over July of last year. Thanks to the pickup in housing, Glassman thinks that gross domestic product grew at an annualized rate of 3% in the third quarter. His forecast for the fourth quarter: 4% growth.

Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	8.75%
Auto sales year to date vs 1994[1]	Ward's Automotive	–1.7%
Index of leading indicators July vs. June	Dept of Commerce	–0.2%
Trade balance[2] 12 months ended July 1995	Dept of Commerce	-$119 bil
All-commodity producer price index[3] Aug vs July	Dept of Labor	–0.2%
GDP 2nd quarter vs 1st—annualized growth	Dept of Commerce	1.3%
M2[4] (3-month change)—annualized growth	Federal Reserve	7.7%

[1] U.S.-based manufacturers, excludes imports, as of 8/31/95. [2] Total goods and services. [3] Wholesale goods. [4] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

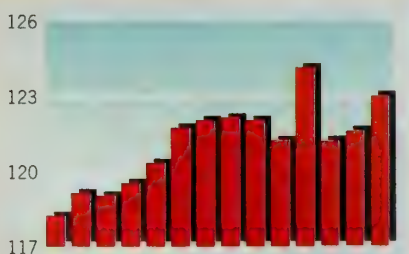
Index components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: The cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total industrial production, new housing starts, personal income, new claims for unemployment compensation, total retail sales, total consumer installment credit.

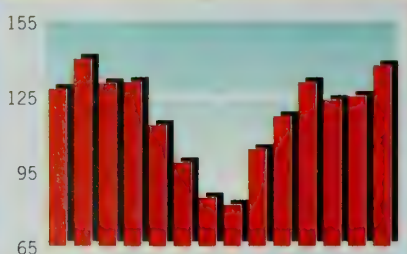
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented in these charts.

Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

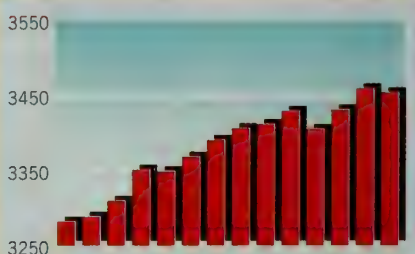
Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)



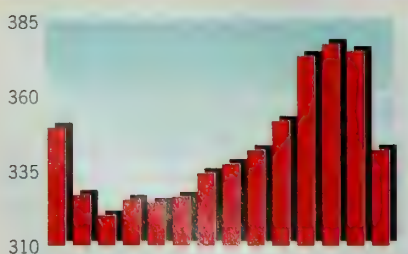
Industrial production index (1987=100), seasonally adjusted (Federal Reserve)



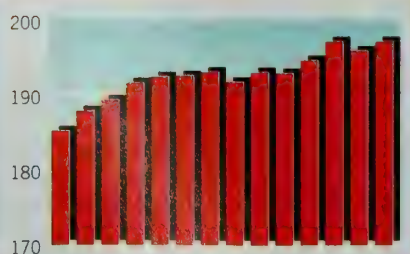
New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



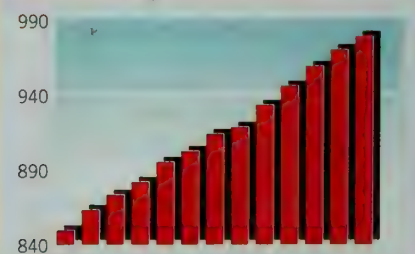
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)



New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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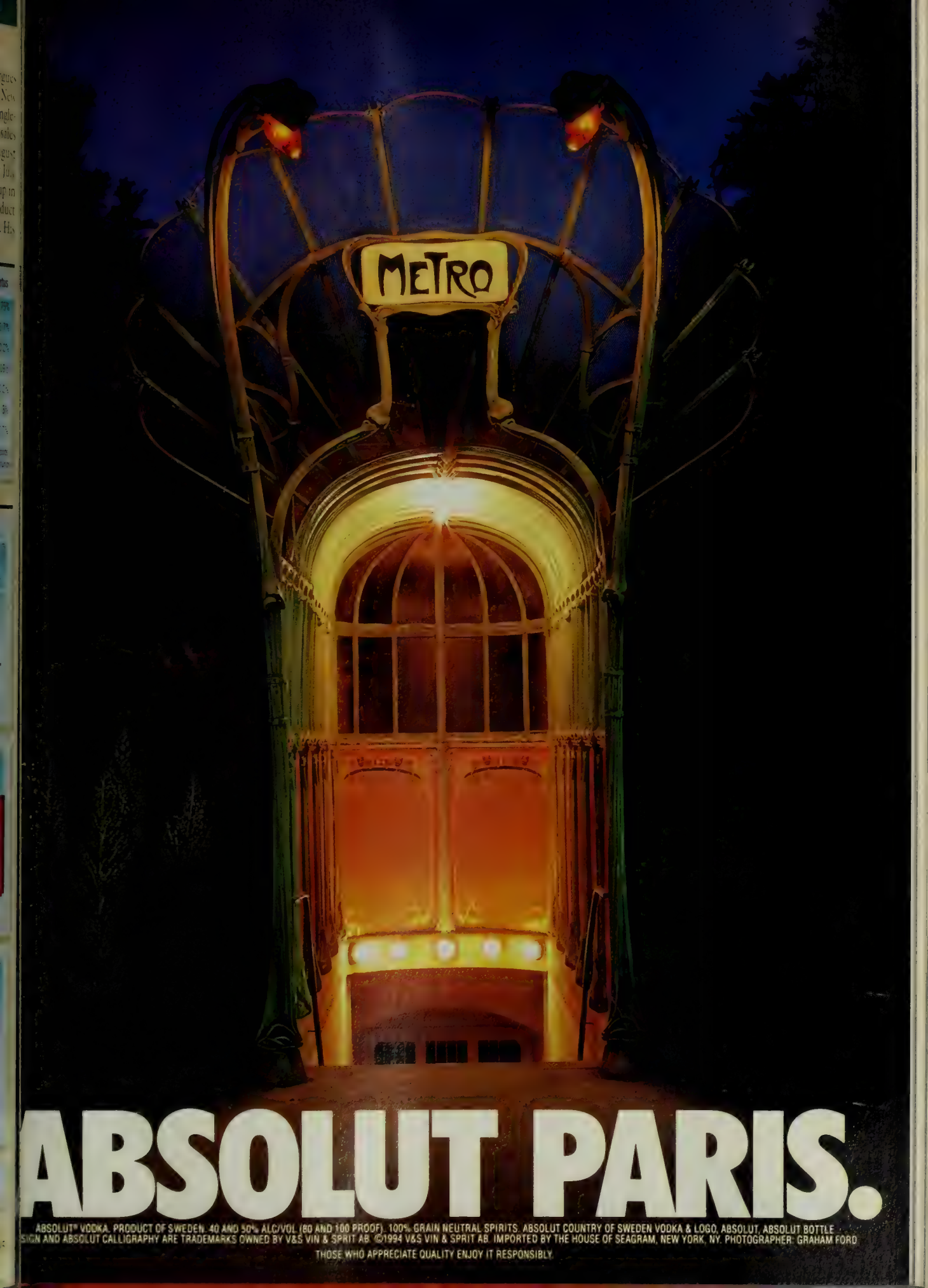
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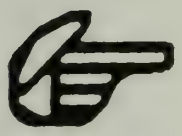
n global markets and extraterrestrial ones, there are just two ways o conduct business:

1. Be there first.



2. Watch someone eat your lunch.

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Be there first.

Hamilton Standard UT Automotive

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Chrysler Corp. isn't Kirk Kerkorian's only preoccupation. Kirk's also got a sick Las Vegas casino on his hands.

The wrong kind of carriage trade

By Seth Lubove

SPARRING WITH Chrysler Corp. Chairman Robert Eaton isn't Kirk Kerkorian's only pastime these days. The aging financier has his hands full of trouble at MGM Grand Inc., the big casino/hotel complex in Las Vegas. Kerkorian owns 74% of MGM Grand's 49 million shares.

Built at a cost of $1.1 billion, the MGM Grand opened with a splash in December 1993 and earned a handsome $75 million in its first year on revenues of $742 million. But once the novelty of the place wore off, so did business. MGM Grand this year will probably earn just $24 million, on revenues of $725 million. Of eight large gambling companies followed by Salomon Brothers, MGM Grand has by far the worst net margins—an expected 3.3% for the year ending Dec. 31. Compare that with 12.1% for Mirage Resorts, 12.9% for Circus Circus Enterprises and 9.7% for Harrah's Entertainment.

In the midst of his Chrysler preoccupations, Kerkorian has had to pay attention to MGM Grand. This summer its former chief executive, Robert Maxey, resigned. Kerkorian replaced him with 52-year-old J. Terrence Lanni, former president of Caesars World. Alongside Lanni, Kerkorian then installed trusted lieutenant Alex Yemenidjian as president and chief operating officer.

Lanni and Yemenidjian have lots of fixing to do. The MGM Grand complex pulls in plenty of people, but they don't spend enough money. On an average day 60,000 bodies pass through the pulsating casino/hotel, gawking at the MGM Lion entrance, the 75-foot-tall reproduction of the Wizard of Oz's Emerald City and the 33-acre theme park. Reflecting Las Vegas' recent attempts to attract the family trade, baby carriages are as common as pinky rings once were. Unfortunately, this is the wrong kind of carriage trade. Families with babies tend not to be high rollers.

In trying to attract high rollers, Lanni's predecessors went overboard. If another casino offered a high-stakes gambler a credit limit of $3 million, the MGM Grand offered $5 million. The inevitable result: The casino had to double its bad debt reserve in the second quarter, to $19 million.

Lanni promises to pay more attention to the smaller bettors while still attracting the high rollers. He has no choice but to attract all kinds: "We

Alan Levenson

have to be all things to all people," says Lanni of the casino's 171,500 square feet of gambling space, the most in Vegas. "If you have $20 in your pocket, we want to give you as good a value as if you had $20 million," he says.

Well, not quite. MGM Grand has built 751 luxury suites, 52 of which are two stories high and include internal elevators, formal dining rooms and dual master bathrooms, each with its own hot tub. Clearly these supersuites aren't for mom and pop and the kids.

Neither is the baccarat pit, where favored players can escape from hoi polloi into two back rooms complete with an elegant private dining area and kitchen. Lanni plans to fence off more high-end tables, instead of leaving them out in the open where the gawkers can stare.

Back to those folk with the smaller purses. To attract them you need sizzle, as Stephen Wynn offers with his exploding volcano at the Mirage. 'Our lion *is* pretty dismal," Lanni sighs. "It looks like a papier-mâché lion." He wants to build a new, more realistic lion with, say, a mouth that opens and roars and a restaurant and some shops inside the lion's cavernous head, currently dead space.

As part of an effort to capitalize on MGM Grand's Hollywood name, Lanni plans to recreate a sound stage in front of several restaurants within the complex. Other plans envision a re-creation of Hollywood Boulevard, including a reproduction of the Brown Derby restaurant, and a Sidewalk of the Stars commemorating the high rollers—"removable if they don't pay us," jokes Lanni. Meanwhile, he is searching for an experienced joint venture partner to take over management of MGM Grand's much derided theme park. "Half of being smart is knowing what you're dumb at," he says.

As he works to draw both the masses and the big gamblers to his slumping casino, Lanni faces additional competition. Next year at least three huge new casino/hotels will open in Las Vegas, including the 2,100-room New York-New York across the Strip. Its owners are Primadonna Resorts and Kerkorian's MGM Grand.

No question but that Kerkorian has picked himself a good man. During his 18 years at Caesars, Lanni earned a reputation as one of the best operating managers in the industry. He senses opportunity at MGM Grand. "It's not very exciting," he says, "to go somewhere that has great margins already."

Kerkorian has a lot riding on Lanni. If he can't run a successful gambling casino, how can the 78-year-old financier claim he knows how to run an auto company?

MGM Grand's Alex Yemenidjian (left) and J. Terrence Lanni (right); Kirk Kerkorian (above)

Kerkorian's boys have lots of fixing to do. "We have to be all things to all people," says Lanni.

Will the Rainforest Cafes be the next big theme restaurant success? Certainly the fake thunder and lightning help improve the turnover.

Meat loaf and monkeys

By Christie Brown

A CURTAIN OF RAIN falls from the vine-covered ceiling onto a mossy rock wall. Fog puffs up in spooky swirls. Four live parrots screech from rings set over a snapping mechanical crocodile. A 20-foot-tall fiberglass giraffe looms over the mall corridor.

All this to peddle vegetable soup, banana cheesecake and margaritas. You are in the Rainforest Cafe at the Mall of America in Bloomington, Minn., the latest twist on the "theme restaurant" concept. Jaded American consumers no longer want their hamburgers and meat loaf straight. They want them smothered in schmaltz.

Inside, Rainforest Cafe tables are surrounded by massive fake banyan trees, dripping Spanish moss and Tarzan vines. Mechanized birds and monkeys chatter from swings in the greenery. Fake thunder and lightning go off every 17 minutes. It's hard to hear your dinner companions, but then the patrons don't have much to say anyhow.

Mind you, you're not eating just meat loaf. The menu features things like "jungle chowder" (vegetable soup), "eyes of the ocelot" (meat loaf with mushrooms) and "gorillas in the mist" (banana cheesecake). To drink, there is the Chocolate Coconut Climber (yogurt and amaretto) or Sheba's Jungle Juice (yogurt, Oreos, coffee).

So far, a roaring success. There's often a two-hour wait for dinner. No reservations. Diners check in, get an estimated table time and go play in the mall until the appointed hour.

Of course, there's a Rainforest shop in the cafe, packed with logo T shirts ($20) and mugs, $60 sweatshirts, flamingo-patterned boxer shorts, glass sculptures and squeaky animal toys. Prices range from 75 cents for arrowheads to $6,000 for a 3-foot hunk of amethyst crystal. A third of all diners buy something. Retail profit margins are a fat 50%, but the customers don't mind. A talking tree in the shop makes them feel good about their spending as it spouts environmentally correct messages along with subtle plugs like "Aren't we hungry now?"

This loopy nightmare of consumerism is the brainchild of Steven Schussler, 40, a parrot lover and fan of tropical scenery who owned a chain of nightclubs in the Midwest in the 1970s. Just before his Minneapolis nightclub went bust in 1992, he dreamed this up. He turned his modern four-bedroom Minneapolis house into a Rainforest Cafe prototype, and wined and dined potential investors. Plenty of ideas got nixed along the way, like the tortoises and butterflies. "The turtles smelled too much and the butterflies kept landing on the food and died every two weeks," recalls Schussler.

One of Schussler's early investors was Lyle Berman, 54, chairman of Grand Casinos, Inc. (FORBES, *Aug. 17, 1992*). Berman raised $3.2 million in seed money and became chairman of the new business. Schussler became vice president. Martin O'Dowd, previously a director at Holiday Inn and manager of the Hard Rock Cafe in New York City, was tapped to be president.

The restaurant opened a year ago

The Rainforest Cafe in Bloomington's Mall of America
Tropical fish tanks, fog machines and Tarzan vines.

Photographs by Lynne Kennedy

Martin O'Dowd, Rainforest Cafe president **Diners often wait two hours for tables.**

for lunch and dinner, seven days a week from 10:30 a.m. to 10 p.m. Almost from day one, the numbers have been impressive. Each of the 295 seats turns over seven times a day, double the average for comparable restaurants. Per-seat revenues are over $2,500 a month, compared with $1,500 a month at Landry's Seafood, another theme restaurant chain, based in Houston.

After losing money the first few months, Rainforest Cafe, Inc. started turning a profit in July. Berman and Schussler took it public in April at $6 a share, raising $23 million for 59% of the company. Berman is the largest shareholder, with 19.3%. Schussler has 11.5%. The stock has since jumped to $22, giving it a market cap of $141 million.

That's a lot of money for a business that may gross $13 million this year. Mark Bartholomay, an analyst at Dain Bosworth, figures the company will open four new stores next year and will earn $4 million on sales of $46 million. Maybe so, but even then you're talking 37 times earnings for the stock.

A talking tree spouts environmentally correct messages along with plugs like "Aren't we hungry now?"

A big test comes this month, when Rainforest Cafe uses some of the proceeds from its public offering to open its second restaurant—at Woodfield Mall, just outside of Chicago. A third, at Disney World in Orlando, is slated for next year.

Will the concept fly? Unlike Planet Hollywood and Hard Rock Cafe, which target the 18-to-40-year-old tourist crowd with gimmicky fast food, Rainforest goes right to the family market. A professional bird trainer takes the company's live parrots (13 in all) around to local schools and civic associations for shows. That brings them in for dinner—65% of customers are local residents. The restaurant sets aside space for wheelchairs and strollers.

One recent Tuesday afternoon, 11-year-old Lindsey Johnson had her nose pressed against a fish tank while ordering a gooey chocolate cake. Lindsey already has polished stones and a key chain from prior visits to the Rainforest store. "This time we plan to get a sweatshirt," said her mother, Sue Johnson.

Jungle chowder, anyone?

Here's capital redeployment for you: Joe Kasputys liquidated a utility and turned the shell into an information services firm.

Teardown

By John R. Hayes

Joseph Kasputys, chief executive of Primark Corp.
"We wanted to get as much cash as we could to do something else."

IN HOLLYWOOD they call it a teardown, bulldozing a perfectly usable house because the new owner wants something different. Joseph Kasputys has done a teardown on Waltham, Mass.-based Primark Corp.

Kasputys, 59, had a brilliant résumé when Primark, then a gas utility, recruited him in 1987. He was not the sort of man to spend the rest of his career presiding over a rather sleepy utility outfit. He'd joined the Navy while earning a math degree at Brooklyn College. The Navy taught him about computers, then sent him to Harvard Business School for an M.B.A. and a Ph.D. Between degrees they put him to work in the Pentagon, two doors down from Robert McNamara. He later wrote the fuel-allocation rules for the 1973 oil embargo and served as Assistant Secretary of Commerce.

Leaving government in 1977, Kasputys became a protégé to Harvard professor Otto Eckstein at Data Resources, Inc., the economic forecasting outfit. DRI was a huge database of publicly available information wrapped with software that produced reports corporations paid a lot of money for—a business model that made a deep impression on Kasputys. "Otto was the first person to successfully commercialize the delivery of a database through electronic means," says Kasputys. He stayed a while at DRI after McGraw-Hill bought it, but by 1987 was hankering to run his own show.

That experience was just right for a gas utility diversifying into other businesses. But Kasputys saw the potential for doing a teardown and replacing the existing business with something a lot more dynamic, something more like DRI, which was involved in the electronic management and marketing of information.

Within a year the gas business had been spun off to shareholders and the other businesses were being sold or fixed up for future sale. What was left was a small holding company with $150 million in cash. "We wanted to get as much cash as we could to do something else," he says, "and that something else was the information business."

His opportunity came in 1991, when he was able to buy a privately owned technology company called the Analytic Sciences Corp., now called Tasc, Inc. Tasc did classified research and computer project management for the Department of Defense and intelligence agencies. It was, for example, the primary systems engineering contractor for Star Wars. "We had to take a leap of faith in buying it," Kasputys recalls. "In most cases we didn't know what the sales were or who the customers were." However, the price, $167 million, was within Primark's cash resources.

What appealed to Kasputys was the possibility of using Tasc's information-gathering talents in the private sector. He figured Tasc could design advanced computer systems, and do database management, satellite information processing, plus imaging and data compression technology. Most recently Kasputys landed a $70 million contract to provide the Brazilian government with satellite surveillance of land-use development along the Amazon. Tasc also owned a unit that processed free National

Weather Service data, which it then sold to agricultural users, CNN, the Weather Channel and 60% of the local TV news market.

Looking to add more content to Tasc's technology, Kasputys in 1992 paid Dun & Bradstreet $191 million for Datastream, a firm he'd tried to buy as far back as 1984, while at McGraw-Hill. "It was one of those cases where you just keep sending flowers," he says. "Sometimes you get a return phone call."

Datastream was a huge but antiquated database of recent and historical financial information on international companies. Kasputys sent Tasc engineers to overhaul the back office while other Tasc employees began developing new products. The most recent: Easystream, a simpler, cheaper service for intermittent users that began selling last month.

Kasputys is convinced that financial information is the right business to be in. He reasons that better and faster data will always find a buyer. "People in this business keep score by the hour," says Kasputys.

In June Kasputys paid $200 million for Disclosure Inc., a supplier of Securities & Exchange Commission filings. Disclosure is the perfect Kasputys company: It collects information that is free to all comers. Then it packages reams of disorganized electronic data into useful products—copies of SEC documents available online or on paper, for example, or CD-ROM databases of new equity offerings or earnings estimates.

Primark even counts competitors among its customers, other data distributors like Lexis-Nexis and Bloomberg, for instance. In August Kasputys even agreed to underwrite the cost of providing raw SEC data on the Internet. Kasputys figures he can use the site to redirect some Internet users to value-added products such as Edgar Plus, a financial report database that's available on America Online.

Disclosure lifts Primark's sales to over $700 million next year. It also got Wall Street's attention. Since June the stock has jumped from 16 to 25. When Kasputys started building his new structure after tearing down the old one, the stock sold as low as 4¾.

As Japan moves to a service economy, vast new business opportunities arise. Yasuyuki Nambu was early on the scene.

"Recession is my friend"

By Neil Weinberg

IN CHANGE, even wrenching change, lies opportunity. Out of the current economic turmoil a whole new class of Japanese entrepreneur is emerging. "You hear a lot about the problems of Toyota and Mitsubishi, but not much about Japanese service industries where most of [Japan's] growth will come," says Yasuyuki Nambu, 43. "I see recession as my friend. There are a lot of things we couldn't afford to do in the late 1980s that we can do now because real estate prices and interest rates are down." The very forces that squeeze Japanese manufacturing companies make labor and other resources available to the Japanese service economy, where Nambu flourishes.

Over the past two decades Nambu

Caroline Parsons-Aral Pictures

Pasona Group's Yasuyuki Nambu (center) and his staff

Gainfully employing 120,000 of Japan's well-educated, underutilized women.

has built his Pasona Group into a services conglomerate with $1.1 billion in revenues last year from more than 100 different businesses. Based in Tokyo, the group runs, among other things, Japan's largest temporary employment agency, a worldwide credit card customer-service network and a computer consulting business. Were Pasona public, it would probably have a market capitalization of upwards of $1.5 billion; Nambu owns nearly all of it.

Pasona hasn't come through the recession unscathed: Group revenues slipped 5% last year. But this is only a blip, and Nambu expects his service conglomerate to resume its fast rate of growth. He speaks confidently of starting a total of 10 to 15 companies this year and next and boosting revenues 15% to 30% annually.

Caroline Parsons-Aria Pictures

Imports at a Designer Collezione shop

High fashion at low prices.

While studying chemistry at Kansai University in 1972, Nambu started a for-profit school for youngsters to learn practical aspects of Buddhist philosophy. As the school grew to over 400 students in four years, Nambu realized that many of the children's mothers were highly educated women who were willing to work but could find no employment in Japan's stratified work force.

He began hiring them out for secretarial, translation and other temporary work. Established in 1976, Pasona has 120,000 registered women temps and 1994 revenues of $840 million, making it one of the world's top ten temporary agencies.

In addition to the female temp agency, Pasona runs another for male professionals, with 50,000 temporary male accountants, programmers and others. Such workers already account for 28% of Japan's labor force, and the portion is rising. In Japan, as in the U.S., companies are restructuring and turning increasingly to outsourcing for routine jobs and outplacement for excess workers.

"At first the Ministry of Labor opposed us, saying it [outplacement] was a threat to lifetime employment," says Nambu, "but as the recession has continued, they've recognized the need for more liquidity in the labor market."

But Nambu is more than just a temp help entrepreneur. Wherever he sees an opportunity, he moves in. Take retailing. Retail prices are very high in Japan because of heavily layered, inefficient distribution.

For the past three years Pasona Group's nine Designer Collezione shops in Tokyo, Osaka and Sapporo have been importing designer apparel directly from manufacturers, thus undercutting existing distribution channels. The shops offer Armani and Versace suits for 30% to 70% less than Japan's department stores charge. Next spring Pasona plans to begin a similar venture in imported food and open a six-story shopping and entertainment complex in Kobe that will feature low-price imported foods, clothing and automobiles.

Another opportunity: the gray market in American cars. Pasona began buying cars from U.S. dealers this summer and selling them at 20% to 30% below the automakers' official Japanese dealers' prices. Pasona's Collezione Auto charges $49,000 for a fully loaded Cadillac Seville SDS, for example, nearly 30% below what local dealers charge. The company hopes to sell close to 1,000 vehicles in its first year.

"Some people say American cars are too big to drive in Japan, but it's nonsense," says Nambu. "Japanese don't buy them because they cost so much more than in the U.S."

Obviously Nambu has studied changes in the U.S. economy and understood that where the U.S. is today is where Japan is heading. He spends several months a year with his wife and children at their home in Fairfield, Conn., whence Nambu commutes to a posh Manhattan office adorned with pictures of himself with celebrities ranging from Ronald Reagan to Rod Stewart.

Having seen firsthand the personal computer's transformation of the U.S. economy, Nambu has pushed Pasona Group into PCs. Its computer services business already includes a consulting joint venture with Masayoshi Son, the fellow billionaire whose software distribution company Softbank bought the Comdex computer show last year for $800 million. Over the past year Pasona has launched a Windows Rescue Team, to help Japanese businesses with software upgrades, and a telephone hotline to handle customer calls for manufacturers. First-year sales of these new products are expected to hit $5 million.

Adapting American ideas to Japan doesn't always work. Nambu opened an American-style hard-shell crab restaurant in Tokyo. It failed because Japanese diners took so long to eat the delicacy that turnover was low and it couldn't turn a profit.

Nambu takes pretty much the same attitude toward taking his company public: too messy and too time-consuming. "I don't need the capital," he explains, "and what I really enjoy is a happy life with my family."

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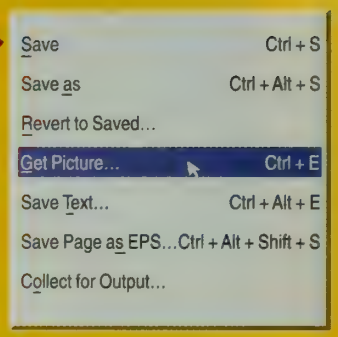

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Case History #24: Petrogal Gasoline Complex, Sines, Portugal.

We brought together a multilingua

As a nation on the move, Portugal had only one thing slowing it down: the leaded gasoline that was in its trucks and cars was being phased out to help

All for a drive in the country.

the environment. Unless it could quickly build new production facilities, the country would have to import unleaded gasoline from foreign suppliers. The country's leading gasoline seller, Petrogal, came to Raytheon Engineers & Constructors to build the solution. Within a record-setting 18 months they had it: a state-of-the-art alkylation facility that m clean-burning, high-octane gasoline production (a stable economy) a reality.

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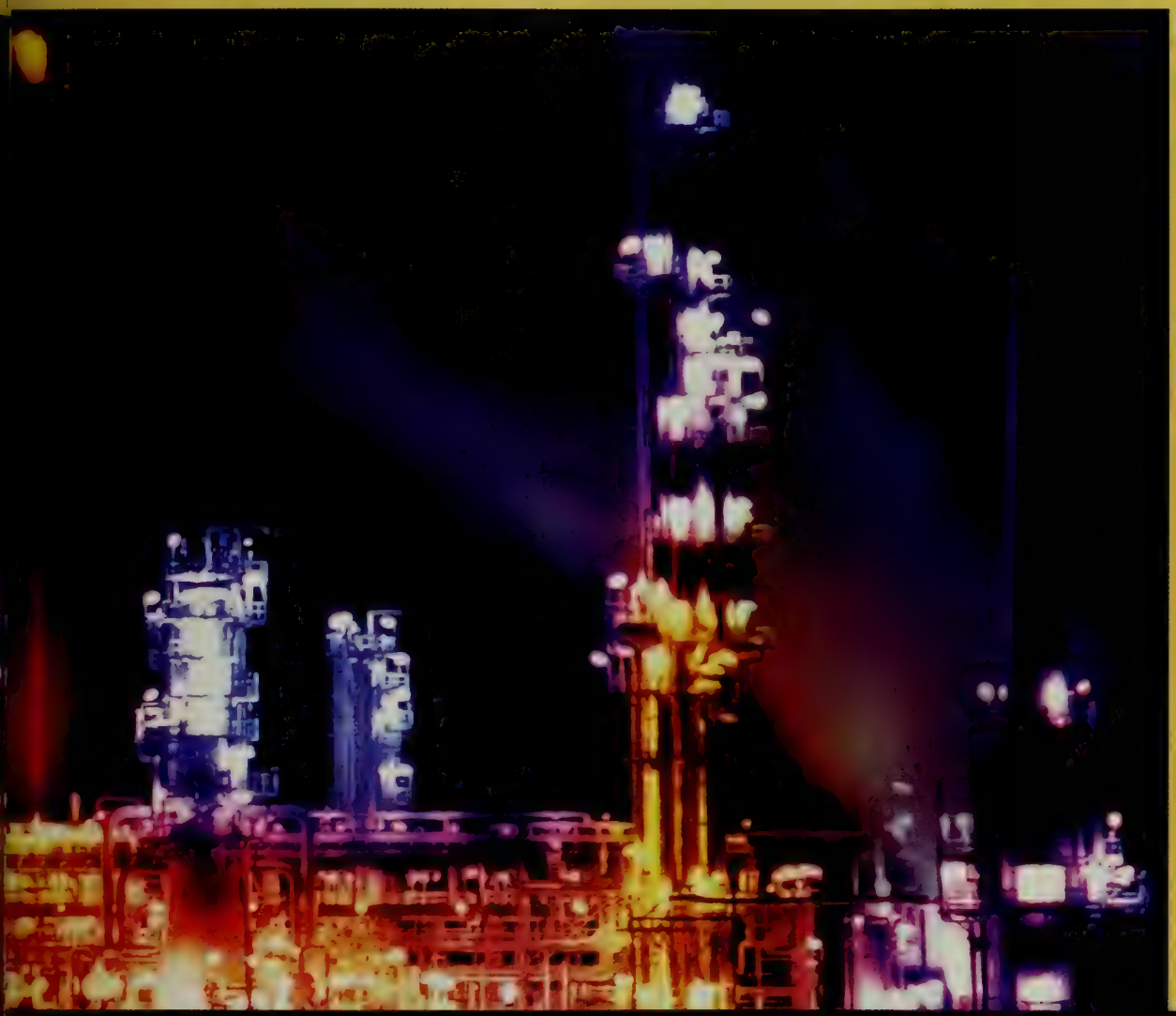

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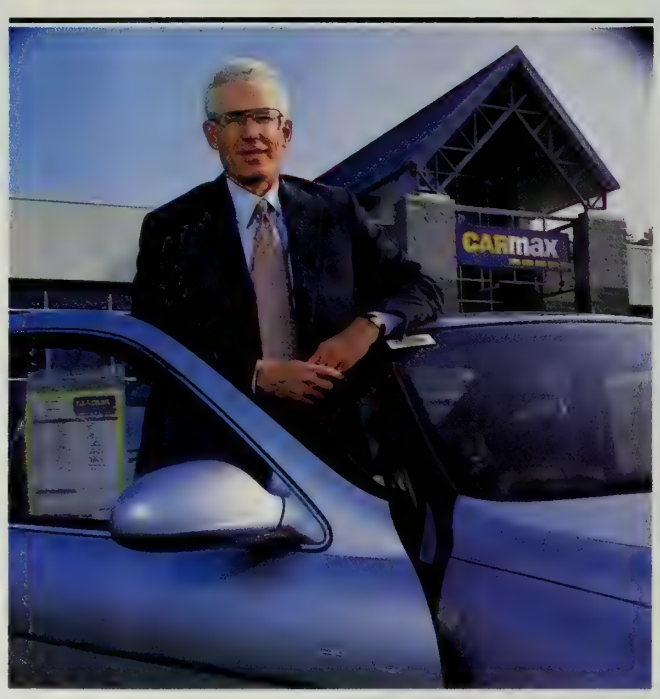
Richard Sharp scored big selling electronics and computers. Next: used cars. Is the man serious? He sure is.

Would you buy a used car from this man?

By Howard Rudnitsky

HIGH GROWTH is a mixed blessing: It attracts competition as spilled honey attracts flies. Richard Sharp, a 48-year-old former computer programmer and now chief executive of Circuit City Stores, knows this. He turned it into the largest chain of brand-name consumer electronics/computer stores. His merchandise-packed superstores are now doing $7 billion a year and raising both sales and earnings 20% annually.

For now Sharp sees lots more sales growth in consumer electronics retailing. Every year out to 2000 he plans to open 55 to 60 new superstores, with an average of 38,000 square feet each, in large-population markets. Plus 15,000-square-foot stores in smaller markets, such as Fredericksburg, Va. This on top of the 375 or so Circuit City already owns.



Alan Dorow

Circuit City's Richard Sharp on CarMax used-car lot

Modern management for the $150 billion used-car market.

But in the end every market becomes mature: Look at the trouble supermerchants like McDonald's and Wal-Mart are having in maintaining robust domestic growth now in the face of mounting competition and market saturation.

As Richard Sharp's been good for Circuit City, it's been good to him. His nearly 1% of the stock is now worth $30 million. He has no intention of sitting around and waiting for his business to be overwhelmed by competition.

But used cars? That's what he has hit upon as Circuit City's next target, after ruling out the more restrictive new-car business.

Sharp says that when he looked at the $150 billion used-car market, he saw opportunity. Here was a business where supply was plentiful, demand fairly steady and management practices lousy.

Demand, he explains, is being boosted by new-car prices, which now *start* on average close to $20,000. Who wants to pay that much for an extra car for one of the kids to take to college? Or for the spouse to take grocery shopping? Supply is better than ever, thanks to the rapidly growing number of newer used cars coming off two- or three-year leases.

Then Sharp looked at the potential competition: 42,000 used-car dealers and 22,000 new-car dealers who sold used cars they got in trade-ins. Your average used-car dealer does $2 million a year. He is too small to achieve economies of scale or to apply modern management methods.

And used cars have this in common with Circuit City: A used-car dealer does not sell just one or two brands, and neither does Circuit City, which offers consumers a huge range.

Sharp backed his intuition with market research. "We asked people who bought used and new cars about their shopping experiences. Not surprisingly, there were more dislikes than likes." All those jokes: Would you buy a used car from Slick Willie?

In 1993 Sharp and Austin Ligon, Circuit City's senior vice president of corporate planning and automotive, developed their first used-car showroom. It was situated less than a mile from their Richmond, Va. headquarters, where they could keep a close eye on it. They called it CarMax: The Auto Superstore.

Give the customer plenty of choice—as Circuit City does. Sharp and Ligon built a lot on the property to hold 500 cars that were no more than five model years old and had no more than 70,000 miles. And they

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installed a service shop. No more caveat emptor. Now it is, we service what we sell. "When consumers come to CarMax, they find a large number of high-quality cars that have been through our 110-point inspection process," says Sharp. "We provide customers with a 30-day warranty from the date of purchase. We will fix the car free if anything goes wrong."

CarMax buys its used cars at auctions and from fleet dealers. It also buys from consumers.

No bargaining—and thus no fear of being taken. "We price the car right on the sticker at or below NADA [National Automotive Dealers Association] book value. The consumer doesn't have to haggle to get a competitive price."

No haggling gives CarMax a psychological advantage. Instead of regarding the salesperson as an antagonist trying to milk him, the customer views the salesperson as a source of information. "Once you remove the price negotiation process," says Sharp, "then the salesperson becomes someone who can assist you in making the right purchase. Our people are on a fixed commission per car."

Does the formula work? Apparently. Sanford Bernstein's consumer electronics retailing analyst, Ursula H. Moran, estimates that this single lot moved over 4,000 cars last year to the tune of about $55 million.

Now Circuit City has opened two more CarMax stores in Atlanta and one in Raleigh, N.C. One of the Atlanta stores has a 1,000-car lot, twice as big as the original Richmond lot. It expects to open another early in 1996 in Charlotte, N.C.

Note that the numbers are analyst Moran's estimates. Sharp himself is being very stingy with numbers. "It's still a test," he insists. "The volume is very good, but the profit margins may be less than the consumer electronics business. Today we are still losing money." Sharp insists it will be a year to 18 months before he decides whether to go national with CarMax.

Analyst Moran, who has done a lot of research, smiles and says: "Sharp's understandably cautious. He's still wrestling with operational issues and hasn't finalized a CarMax business model. And he doesn't want potential competitors to know his plans.

"But whether it's called a test or a rollout, the fact is they are buying lots of land and could open about seven more stores in 1996-97."

Ursula Moran speaks with authority. Before joining the Wall Street firm, she studied the retail car market while working for Booz, Allen & Hamilton. She figures that in five years CarMax could be moving used cars at a $3 billion annual rate.

Forget haggling

CarMax showroom with information kiosks

A friendly environment to ease a buyer's concerns.

A CUSTOMER walks into a brightly lit steel-and-glass CarMax showroom. A recent-model used car catches his eye. It's a low-mileage, sporty-looking number with its hood open. The customer looks inside. The engine and other drive components are spotless, looking almost brand-new.

This is a used-car lot?

No unctuous salesperson, no patter about how a used car was driven sparingly by an aged schoolteacher. A sales consultant in a bright blue or yellow shirt and khaki pants walks up. If the customers have brought their kids on a weekend or an evening, they are invited to drop them off in a supervised playroom.

The "consultant" points the potential customer to a freestanding kiosk, one of several dispersed about the room. The salesperson helps him log on to a touch-screen computer and enter his preferences. The computer searches the store's inventory in the right price range—say $12,000 to $13,000 1992 Toyota Camrys or Honda Accords with about 40,000 miles. Want to think it over? Take a printout with you.

Test-drive? Of course. The salesperson accompanies the prospect across the lot. Large blue and yellow banners indicate the whereabouts of the compacts, the full-size cars, the vans and sports vehicles.

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When the customer climbs into his clean, shiny used car ready to drive off, the salesperson snaps his picture with a Polaroid. The whole thing was a pleasant experience, not an ordeal of haggling and doubts about quality and price. –H.R.

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Showing America A New Way Home

Billionaire publisher Kenneth Thomson is pulling money out of newspapers and reinvesting in specialty and electronic publishing. What does Thomson know that Gannett doesn't know?

Greener pastures

By Marcia Berss

The Right Honorable Lord Thomson of Fleet **An emotional decision—but money speaks louder than sentiment.**

NOTHING SO FOCUSES Kenneth Thomson's mind as falling profit margins inside his $6.4 billion (1994 revenues) Thomson Corp. In newspaper publishing Thomson's operating margins have tumbled from 29.3% in 1989 to just 17.2% last year. The company's president, Michael Brown, thinks he might be able to push them back to 20% within three years. Might.

What these falling margins are saying to Thomson is: It's time to cut back on newspaper investments. Based in Toronto, Thomson publishes Canada's national newspaper, the Toronto *Globe and Mail,* and more than 150 other papers, mostly in small one-paper towns in Canada, Britain and the U.S. Its biggest U.S. concentration is in Ohio.

In common with other newspaper chains, Thomson is experiencing a shrinking advertising base. The papers get only about 30% of their revenues from subscriptions and newsstand sales; the balance comes from display and classified advertising. And that's the rub. Discount retailers and other big display advertisers increasingly prefer preprinted inserts to more expensive in-paper advertising. That makes newspapers more dependent on classified ads, the most cyclically sensitive kind of advertising, which is also under attack from give-away papers and new electronic advertising vehicles.

"Natural growth [in newspapers] is going to be difficult," says President Brown bluntly. "We don't want to get locked into no-growth businesses."

This is not to say that Kenneth Thomson—Lord Thomson of Fleet—is abandoning the business that made his family rich and powerful: They own 72% of Thomson Corp., worth $5.5 billion. But he is deploying a fair amount of his corporate capital into related businesses that show more promise for growth and profitability. This has been an emotional decision for the 72-year-old Thomson. His father, Roy, bought his first newspaper in an Ontario gold-mining town in 1934, and kept buying. After Roy Thomson's death in 1976, son Kenneth continued acquiring, including the *Globe and Mail* in 1980 and U.S. newspapers.

But money speaks louder than sentiment, and in July Thomson Corp. sold 10 British daily/Sunday newspapers and 41 weeklies for about $500 million to Trinity International, and 19 Canadian papers to Hollinger Inc. It is also selling 25 small-town papers in the U.S., and taking bids on its 5 Scottish newspapers—these include Edinburgh's *Scotsman* and Aberdeen's *Press and Journal.* Together, these sales should yield over $1 billion.

The papers Thomson keeps will be overhauled, made more efficient. Brown is clustering Thomson's small-town papers in regions, to combine functions like printing and sales of regional ads that appear in several papers. Thus Thomson is retaining groups in central Ohio and in Wisconsin. The North American papers Thomson recently sold—like the Leavenworth *Times* of Kansas and the Del Rio *News-Herald* of Texas—could not easily be incorporated into a regional grouping.

Brown wants to pull capital out of the newspaper business without entirely abandoning the field. Example: He's contracting out printing. "It's been a religious tenet that every newspaper must have its own press—and they are bloody expensive!" exclaims Brown. "If someone else prints a paper, *they* put up the capital, *they* take the union hassles. There's no messing around with ironmongering." Anyone can do printing and move iron, is

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Thomson Corp. President Michael Brown
"We never give equity. Ever. Ever. Ever. Our principal shareholder wants to increase his percentage, not reduce it."

his point. "We're good at marketing, creative work," says Brown.

What will Brown and Thomson do with the $1 billion they are pulling out of newspapers? Accelerate acquisitions in more promising media businesses. Thomson is already a leader in the $25 billion specialty publishing industry. What's specialty publishing? Whereas newspapers and magazines attract a broad and disparate audience, specialty publications reach more focused audiences. Thomson's stable of specialty publications and databases span finance (*American Banker*, Securities Data Co.), defense (*Jane's Weekly*), science, medicine (*Physician's Desk Reference*), engineering, education and law (Lawyers Cooperative Publishing).

Whereas a general-interest daily newspaper sells for maybe 35 cents, about $100 a year on subscription, *American Banker* goes for $750 a year, *Jane's Weekly* for $197. If one thinks of publishing as a business where you buy paper, add some value and then sell it, it's pretty clear that you can add more value in specialty publishing than in general publishing. Something else Thomson likes about specialty publishing: It is less dependent on advertising than newspapers. The customers covet the information sufficiently that they will pay full price—and then some—for it.

If the information can be delivered electronically, so much the better—think of all the paper and delivery trucks you don't need.

Last year Thomson bought electronic database management firm Information Access Co. from Ziff Communications for $465 million. This information outfit uses almost no paper and doesn't have advertisers.

Brown, 60, an animated Englishman who joined Thomson in London in 1969, began to acquire specialty publishing companies soon after Thomson sold the *Times* of London to Rupert Murdoch's News Corp. in 1981. Hundreds of acquisitions later, Thomson's $3 billion (revenues) specialty publishing business generates about 47% of Thomson Corp.'s total

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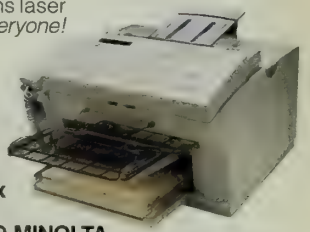

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sales, and nearly 60% of its operating income, $819 million last year. The newspaper division's revenues have stagnated over the past few years at about $1.1 billion.

Last fall Thomson tried to buy papermaker Mead Corp.'s Lexis/Nexis, the legal and business information electronic publisher. That would have been a good fit, because Lexis/Nexis is an electronic distribution network that could be used to help distribute Thomson's growing specialty library. But Lexis/Nexis went to Anglo/Dutch publisher Reed Elsevier for $1.5 billion, more than Thomson was willing to pay. In short, while Thomson and Brown like electronic publishing, they are not besotted with it.

Today Brown's eye is on Lexis' rival, privately held West Publishing Co. of Minneapolis (FORBES, *Nov. 21, 1994*). West's owners announced in August that they may sell. With similar revenues but believed to be more profitable than Lexis/Nexis, West may fetch $2 billion—a stretch, but not much of one for Thomson. With $3 billion in long-term debt, Thomson's debt ratio currently stands at 50% of capital, but the $1 billion in capital being pulled out of newspapering will reduce the debt ratio to about 35%.

There are other available sources of cash if Thomson needs it. The company owns a big travel agency and air charter business in Britain that generates $140 million a year in operating earnings, on revenues of $2.2 billion. There have been rumors that Thomson will sell or spin off the travel business, and Brown does nothing to quash the rumors when he says: "Travel does not leverage off information/publishing. That's our primary interest." The travel division is probably worth at least $1 billion. Another potential source of cash: Thomson's big holdings in Canadian newsprint mills.

Brown may need the money. He is pouring money into marketing and new product development. Example: In November Thomson paid $339 million for Medstat Group, a medical database firm that sells claims information to health care payers and providers; these subscribers use the data to negotiate lower rates and compare costs. Brown is combining Medstat with Thomson's clinical databases to develop new specialty information products that will join pricing data with medical treatments and results for health care management.

By some Wall Street standards, Toronto-listed Thomson Corp. is a cheap stock. It sells for just 8 times cash flow; leading U.S. newspaper publisher Gannett fetches 12 times—and is far less diversified and lacks Thomson's big stake in specialty and electronic publishing. Wall Street values specialty publishers like McGraw-Hill and Dun & Bradstreet at around 13 times cash flow.

As a Canadian-domiciled company, Thomson has been proscribed by U.S. law from joining U.S. publishers like Gannett and the New York Times Co. in buying U.S. television or radio stations. Yet last year's purchase from Ziff boosted the portion of Thomson Corp.'s assets that are in the U.S. to nearly two-thirds. There is speculation that Thomson Corp. may soon list its stock in New York, which may expand the market for the stock.

U.S. investors might, in fact, like Thomson's hard-nosed insistence on moving capital to where it earns the highest return and its hard-nosed insistence on expansion without equity dilution. "[In making acquisitions] we never give equity," says Brown. "Ever. Ever. Ever. Our principal shareholder wants to increase his percentage, not reduce it."

The First Lord Thomson of Fleet

Hulton-Deutsch Collection

Thomson Corp. patriarch Roy Thomson **It took Rupert Murdoch to turn his "Times" around.**

TORONTO-BORN Roy Thomson (1894-1976) failed as a farmer and a seller of car parts, but in 1931, at age 37, he found his calling when he started a radio station in the hinterlands of Ontario. He bought more stations, one housed in the same building as a newspaper. He bought the paper, too, and was launched on a career as one of the world's preeminent press lords.

By the end of World War II, Thomson was concentrating on his five Ontario newspapers and sold his eight radio stations to his partner, Forbes Four Hundred member Jack Kent Cooke.

In 1953 Thomson headed to Britain to buy Edinburgh's leading daily, the *Scotsman*, leaving North American operations to son Kenneth. Roy bought Scottish Television, the commercial television franchise for central Scotland—a "license to print money," he often said. He plowed the TV profits back into publishing, buying London titles like the *Tatler*, and textbook and trade book publishers. In 1966 Thomson culminated his life's work, he said, by buying the prestigious *Times* of London. It turned into a financial disaster—though it won the family a hereditary title, Lord Thomson of Fleet.

In 1981, five years after his father's death, Kenneth Thomson sold the *Times*, his father's crown jewel. The buyer was Rupert Murdoch who, with Prime Minister Margaret Thatcher's help, broke the vicious unions that were paralyzing British publishing, and made the *Times* solidly profitable.

But this wasn't the end of the Thomsons. J. Paul Getty *(see p. 82)* invited Roy to participate in a venture with Getty Oil and Occidental Petroleum in 1971 to look for oil in the North Sea. The partners hit gushers in 1973 and 1974, just as oil prices jumped. When the family sold the oil interests in 1989 it redeployed the capital back into publishing, but far beyond the newspapers that had been the making of Roy's fortune. –M.B.

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INSURANCE & INVESTMENT

Updating the Fifth Amendment

BY JAMES D. ZIRIN

James D. Zirin, a trial lawyer, is a partner in the New York law firm of Brown & Wood.

WHEN O.J. SIMPSON decided not to take the stand, his silence could be weighed by everyone except the 12 people on the jury. Under the law the jurors may draw no adverse inference from his failure to testify.

This refusal to draw an inference from silence outrages common sense. Experience tells us that an innocent man would be expected to shout his innocence to the skies. A legitimate trader ought to be happy to disclose the analysis that led to his investment decision. We all know, but are reluctant to admit, that only guilty people benefit from silence. A defendant's flight from the jurisdiction always has been considered as preeminent evidence of guilt and is universally admissable. What's the moral difference between silence and flight?

Under present interpretations of the Fifth Amendment, when investigators question a suspect, the suspect has a right to remain silent, and no adverse inference may be drawn from the suspect's refusal to speak, unless there is a trial and the defendant takes the stand. The rule applies only in criminal cases. In civil cases an adverse inference often *may* be drawn from a party's invocation of the Fifth Amendment.

When O.J. Simpson elected silence, he may have hastened a change in U.S. law.

Thus, a suspected money launderer may with impunity refuse to explain questionable bank transactions; a trader on inside information may refuse to disclose the source of his information; and a crime overlord may refuse to disclose his interest in a business operation.

Our attitude toward silence recently has been seriously questioned—and about time. A change in this attitude could revolutionize law-enforcement techniques.

The right to silence stems from the Fifth Amendment command that no person "shall be compelled in any criminal case to be a witness against himself." The right to remain silent in the face of accusatory inquiry is designed to prevent what the Supreme Court has called the "trilemma" of incriminating statement, contempt or perjury. In other words, it protects the accused against abusive tactics by the authorities and against coerced confessions.

It is from Britain that we have historically drawn our spirit of liberty. Britain, however, in 1994 overhauled its version of the Fifth Amendment to provide by Act of Parliament that an adverse inference may be drawn at trial from a suspect's refusal to speak when questioned by the authorities. In Britain an arrest is now accompanied by a constabulary warning. The warning says that the suspect need not say anything, but "it may harm your defense if you do not mention when questioned something which you later rely on in court."

In plain English, the fact of silence may be used as evidence of guilt. While contempt of court is ruled out where silence is invoked, judges and juries may "draw such inferences as appear proper" from an accused's silence. Although the European Court of Human Rights is considering two cases that question the British procedure, British criminal practitioners guardedly concede they are well satisfied with the results—at least in trials without a jury.

A modified version of this is gaining support in this country. It would entitle the judge or jury to draw an inference when interrogation is conducted with adequate safeguards. The safeguards include protection against browbeating, contempt or perjury prosecutions and inaccurate transcripts.

The principal arguments against drawing an inference from silence are that it destroys the presumption of innocence, that it coerces an accused into self-incrimination, that self-incrimination is inherently harsh or unfair and that police-induced confessions are presumptively untrustworthy. With carefully crafted procedures and safeguards, however, these concerns can all be satisfied.

Civil libertarians decry law enforcement's excessive reliance on such methods as wiretapping, informants, coconspirators, undercover officers, and other agents provocateurs. But the authorities would have less reason to use these questionable techniques if an inference may be drawn from the silence of the defendant.

The stock advice of the criminal defense lawyers is that "silence is golden." Thanks to the egregious use of silence in the O.J. Simpson case, the day may not be far off when the defense lawyers will have to change their tune. ■

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Who's hiding behind those shades?

If you think you are likely to get a shotgun blast in the face one of these days, you may need a pair of Jim Jannard's Oakley sunglasses. Or maybe you just want to look like Michael Jordan.

By Josh McHugh

Rob Wiesenberg

Oakley's M-Frame
Shotgun protection for $130.

Photographs by Joshua McHugh

DOES ANYBODY NEED $225 sunglasses? Is it important your shades have superhard polycarbonate lenses that can withstand the force of a 1-pound pointed weight dropped from a height of 4 feet, that can even take, without shattering, a blast from a 12-gauge shotgun fired from 15 yards away? Millions of people who will never have to face shotgun blasts or 1-pound weights in their faces are buying more and more Oakley sunglasses these days. So many, in fact, that they have made Oakley, Inc.'s owner, Californian James Jannard, into a near billionaire at 46.

Only in America.

If you haven't heard of Jim Jannard, that's okay with him. He refused to speak with FORBES, and his minions refuse to produce a photograph. But Jannard isn't so shy that he wasn't more than happy to cash in on his good luck by selling a chunk of his company to the public this summer. Fad stocks like this can fade quickly, but Jannard needn't worry. He and his chief lieutenant, Michael Parnell, have cashed out between them a nice little nest egg—$154 million.

That's not including the two jet planes that Jannard and Parnell got before taking Oakley public, and now have leased back to the company. Nor is that counting the $26 million—after taxes—they dividended out earlier. Between them they still hold 72% of the company, recently worth $820 million. That represents an awful lot of shotgun-resistant sunglasses.

Who is Jim Jannard? If he wouldn't talk with us, his ex-wife Pamela Jannard would. She says that some 25 years ago he was a long-haired freshman at the University of Southern California's School of Pharmacy. He liked taking his Irish setter with him to class. That irked his professors, and Jannard later quit college. He bought a motorcycle and went tooling around the Southwest.

When he returned to Los Angeles from his motorcycle adventures a year later, Jannard was out of money. Still footloose, he traded his motorcycle for a car, a dinky Honda, and started selling motorcycle parts out of its trunk to southern California shops that serviced motorcycles. But Jannard liked to tinker in his garage as well as sell. In 1975 he designed a rubber grip for off-road motocross handlebars and began peddling it along with the other parts in his Honda's trunk. Thus was born Oakley, named after another of Jannard's dogs, this one an English setter.

In 1979, when he was 30, Jannard designed his first protective eyewear product: distinctive high-impact plastic motorcycle goggles that were lighter and tougher than the then-preferred glass goggles. Jannard and his young salesmen handed out the goggles at motocross competitions and sold them through Oakley's motorcycle parts accounts.

The goggles soon became a hot item, and this encouraged Jannard to develop a product that was part goggles, part sunglasses for skiers and bicyclists. Demand for the

hybrid goggles/sunglasses product got a huge boost in the summers of 1985 and 1986, when Greg LeMond wore a pair on his way to becoming the first American ever to win the Tour de France bicycle race.

New sunglasses models quickly followed, including Oakley's trademark Blades model: an interchangeable wraparound lens that slips into a simple carbon-fiber frame.

But what lifted Oakley sunglasses from being a specialty product to becoming a mass-market smash was Jannard's flair for promotion. He and his salesmen gave away many pairs to top athletes during the late 1980s and early 1990s. At a golf tournament, an Oakley marketer put some Oakley glasses in the hands of a young basketball player (and golfer) named Michael Jordan. The Chicago Bulls star has been wearing Oakleys ever since.

Jordan has plenty of company. Businessman/celebrity Philip Knight of Nike is rarely photographed without his Oakleys. Athletes like tennis star Andre Agassi and baseba hero Cal Ripken Jr. have garnered Oakley reams of fre promotion by being seen in its distinctive-looking shade

And now you know how Jim Jannard got so rich. H rode one of the great consumer trends of our time: an out of-shape nation striving to look athletic. People walk th streets in workout garb, come to work in sports sneaker and buy goods touted by athletes.

A basic set of Oakley's Blades costs up to $110, plus $6 each for additional coated lenses. Other Oakley models sel at anywhere from $40 to $225 a pair. This is, of course, very lucrative way to sell plastic, carbon fiber and the othe new materials Oakley uses. Last year Oakley netted $2 million on sales of $124 million, a 22% net margin. In thi year's first half, sales rose 37% over 1994's first half, and th company's net margin rose to 24.5%. Based on these figures and allowing for the standard retail markup

FORBES estimates that a $100 pair of Blades costs Oakley about $15 to manufacture.

As he understood promotion, so did Jannard quickly grasp the principles of smart marketing. Jannard sells mainly through specialty shops and has deliberately limited the number of outlets that can sell his gear. The only big chains Oakley deals with are Nordstrom and Sunglass Hut. The 9,500 stores in the U.S. that carry the Oakley line have every incentive not to discount, and the fact that you can't buy the shades in Kmart makes them seem more desirable to the celebrity wannabes who buy Oakleys.

But sunglasses are sunglasses, and those fat profit margins look awfully tempting to competitors. What keeps them out? Jannard's lawyers.

"They [Oakley] are incredibly aggressive litigators," says John Benassi, a partner in the La Jolla-based firm of Lyon & Lyon. "They use litigation as a marketing tool." Benassi estimates he's spent 2,000 hours helping ten sunglasses makers fight Oakley in court during the past four years.

"They forced me into Chapter 11," moans Ken Wilson, owner of Gatorz Sport Optiks, Inc. Wilson says he spent more than $250,000 on legal fees between 1990 and 1994, when Oakley charged Gatorz had violated a lens-shape patent. Wilson settled, and soon found himself the

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target of another Oakley suit alleging he had violated the terms of the settlement.

Even go near Jim Jannard and you may find yourself in court. "I've been in and out of court with them for years," echoes Greg Arnette, who quit Oakley in 1991 after eight years and soon started his own sunglasses maker, Arnet Optic Illusions. Arnette's name appears with Jannard's on at least two Oakley patents, but Oakley claims Arnette lifted the design for one of his first models from drawings Jannard showed Arnette while he was still at Oakley.

Jannard seems to be quite cynical in his use of litigation against would-be competitors. Link Newcomb, Oakley's 33-year-old chief financial officer, explains his boss' strategy this way: "One of the benefits of being as aggressive as we are is that it deters people from getting into our turf. We work very hard to bust a few chops, make a few examples of people. It makes it easier [for competitors] to copy somebody besides Oakley."

$40 Frogskins
Cheapest model.

Jannard's chief legal adviser is his boyhood friend Gregory Weeks. Now a partner in San Diego's Weeks, Rathbone, Robertson & Johnson law firm, Weeks has spent much of his career enforcing Jannard's patents and trademarks on his products, from that first rubber handlebar grip for motorcycles, to various lens shapes and names for the materials Oakley uses in its eyewear. Oakley has 320 patents issued or pending worldwide, plus 249 registered trademarks, and Weeks uses these patents to pounce on potential competitors.

Jim Jannard has been lucky in one respect: He has gotten celebrity endorsements either free or at low cost. Last year Oakley paid its endorsers a total of just $4 million, about 3 cents per sales dollar. Tennis' top-ranked Andre Agassi, who used to have an endorsement contract with Bausch & Lomb's Ray Ban brand and could probably get $1 million a year to promote sunglasses, charges his friend Jim Jannard nothing for wearing Oakleys.

Compare this with Phil Knight's Nike, which will pay Agassi some $10 million a year over the next ten years.

Eye Jackets
Free to Andre Agassi.

But as word of Jannard's sudden fortune gets around, the sports celebrities are likely to start asking why they shouldn't get a bigger piece of Oakley's action. Michael Jordan has been wearing Oakley shades for a few years, first for golf, then while he was playing baseball for the Birmingham Barons. Both Jannard and Jordan knew that Oakley wouldn't pay for an endorsement contract at Jordan's sky-high rates. So according to Jordan's agent, Curtis Polk of Falk Associates Management Enterprises, they struck a deal before Oakley's IPO in which Jordan got a financial package—including Oakley stock. Jordan thinks it's a good deal, based on Oakley's projected earnings. He now sits on the company's board.

Despite analysts' raves, all this seems an exceptionally fickle foundation for a company with a market capitalization of over $1 billion, and a price/earnings ratio north of 40 times last year's earnings. Even with his batteries of lawyers, Jannard won't be able to keep competition indefinitely at bay—not when he shows net profit margins of nearly 25%. Maybe Jim Jannard will find other products he can sell at premium prices under cover of his sunglasses legend. Maybe he will be able to use his richly priced stock as currency to buy other businesses cheaply. If he does neither, the chances are high that Oakley shares will turn out to be as overpriced as Oakley sunglasses.

More Frogskins
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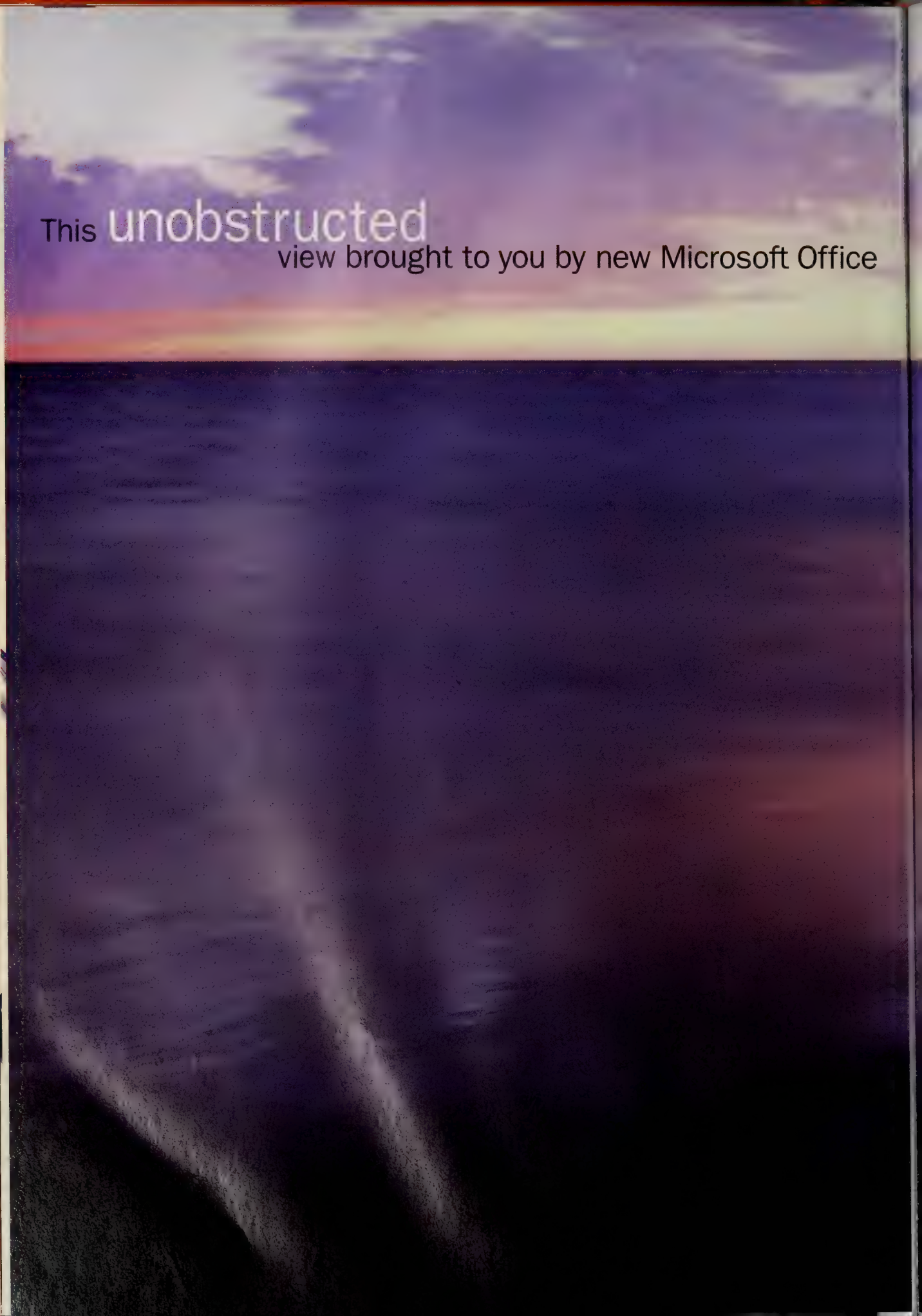
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Fashion note: Political correctness is out this year, alligator skin and furs are back—along with cleavage and curves.

The beauty in the beast

By Nina Munk

Hermès crocodile bag ($11,550) and Manolo Blahnik alligator boots ($3,100)
"If you want to save the alligator, buy a handbag."

Joshua McHugh

FROM 1967 UNTIL 1987, the American alligator was listed as endangered or threatened, but the critter is out of danger now, brought back by so-called sustainable-use policies. These market-based environmental programs encourage landowners to preserve alligator eggs and habitats in return for the right to kill and skin a percentage of the grown animals.

"People are beginning to realize that just passing laws to protect [a species] isn't much good," says Don Ashley, who has worked as a consultant to the alligator industry for 20 years. "What you need is economic incentive. The truth is, if you want to save the alligator, buy a handbag."

However much fury such statements arouse among those who make a religion of animal rights, they happen to make sense. In Louisiana, where about 40% of the world's supply of alligator and crocodile hides come from, 150,000 farmed and wild skins were sold last year, up from 53,000 five years earlier. At the same time, the Louisiana alligator population has increased from an estimated 500,000 to 700,000, and perhaps as much as 1 million. The locals now have financial incentive to keep the alligators happy.

The fashion trade has responded. So-called exotics—crocodiles, lizards, ostriches, sharks and snakes, as well as alligators—are back in style. "The Beauty in the Beast" was the title of a recent six-page *Vogue* fashion spread that included a $7,400 Donna Karan alligator tote and a pair of cherry-red alligator stiletto pumps by Sergio Rossi priced at $325.

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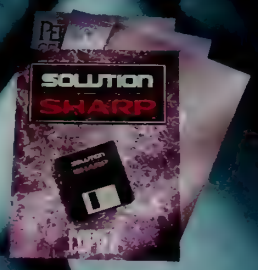

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ABOVE LEFT: Arnold Scaasi's Russian sable ($60,000)
ABOVE RIGHT: Revillon's sheared mink ($10,500)
LEFT: Valentino's white mink ($12,000)

"I'm tired of being politically correct," Karl Lagerfeld told reporters.

On display in New York at Saks Fifth Avenue: a Salvatore Ferragamo pump in crocodile ($1,875) and a trendy knee-high Calvin Klein boot in python ($475). At Bergdorf Goodman: a high-heeled Manolo Blahnik ankle boot in Louisiana alligator ($3,100) and a Gucci classic loafer in crocodile ($995).

Ralph Lauren recently introduced his crocodile and sterling silver jewelry collection. Lauren's use of exotics is significant: The canny businessman is always careful not to offend those trendy conspicuous consumers who think of themselves as environmentalists. Designer Lana Marks reports strong demand for her $4,670 Palm Beach handbag in alligator.

Who is paying these fancy prices? Jennifer Gilbert is typical. The 26-year-old founder of Manhattan's Save the Date, a thriving corporate party planner, recently bought herself a $1,600 Chanel backpack. "At first I

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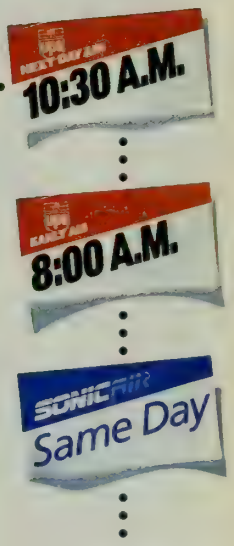

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Fernando Sanchez's ostrich-feather outfit ($2,350)

Also irritating radical feminists: cleavage and the "Butt Booster."

kept thinking, 'What are people going to *think*?' " Gilbert confesses. "Then I said, 'Hey, I work hard. I make my own money. What I buy or wear is nobody's business.' "

"There's definitely a backlash," says Jack Pearson, general manager for the 13-boutique Maximilian at Bloomingdale's fur salons.

Gone are the days when designers, nervous lest the p.c. police get after them, loudly denounced animal skins. Just a year ago, Karl Lagerfeld's collection of Fendi furs included garments of real fur mixed with fake fur.

Not this year. Lagerfeld opened Fendi's fall and winter show in Milan with huge, dripping sable coats in rare pale shades bearing $150,000 price tags. "I'm tired of being politically correct," Karl Lagerfeld told reporters at the fashion show.

And so are the customers. Last year U.S. retail sales of fur coats hit $1.1 billion, a modest 10% increase over the 1990 low and way off the industry's 1987 heyday, when sales reached $1.8 billion. But if this winter is a cold one, furriers believe sales will spurt. Joseph Barlow, vice president for Revillon, which operates 32 fur salons in Saks Fifth Avenue stores, gives this report for the season that just began: "Business has just exploded."

This year 20 designers who have never worked with fur before, including Nicole Miller, have fur in their lines. Miller received a letter and a video from one hard-line group, the People for the Ethical Treatment of Animals. Miller dismissed them with: "I think there are a lot more important causes in the world."

Last year the Center for the Study of American Business at Washington University in St. Louis released a study documenting the declining popularity of environmental organizations. "After years of being bombarded by ever more dire ecological prophecies—virtually all of which have failed to materialize—Americans have grown skeptical of environmentalists' predictions," concluded the study's authors.

In part the distorted and exaggerated claims often used by extreme environmentalist groups have backfired. Take the People for the Ethical Treatment of Animals, which claims to have 500,000 members worldwide, and whose adherents have amused themselves by threatening to throw paint on women wearing fur coats. In a recent newsletter, PETA published the results of its "investigation" into a Florida alligator farm where the animals are, according to PETA, bludgeoned to death slowly by workers wielding baseball bats.

Turns out PETA's reporting is as false as Greenpeace's recent assertion that Royal Dutch/Shell Group's plan to sink an old oil storage platform would pollute the seas. Ruth Elsey, a biologist with the Louisiana Department of Wildlife & Fisheries, says talk of killing alligators with baseball bats is rubbish. "Alligators," she says, "are put to death instantly."

Word like this gets around. And people tire of being told what to do by alarmists whose alarms never amount to much anyhow.

About a hundred years ago Audubon societies were formed to discourage the use of feathers in ladies' hats. Today aigrettes are back in fashion, with hot pink ostrich-feather hats on Chanel's runway and a candy-colored ostrich-feather jacket from Fernando Sanchez.

Animal rightsters and enviros aren't the only ones who are feeling the fashion backlash. Radical feminists are outraged by the new popularity of cleavage, as evidenced by Wonderbra's new "Push-Up Plunge" padded model. There's even a big return of—gasp!—corsets and girdles with names like "Belly Buster" and "Butt Booster." What's the world coming to, comrade womyn?

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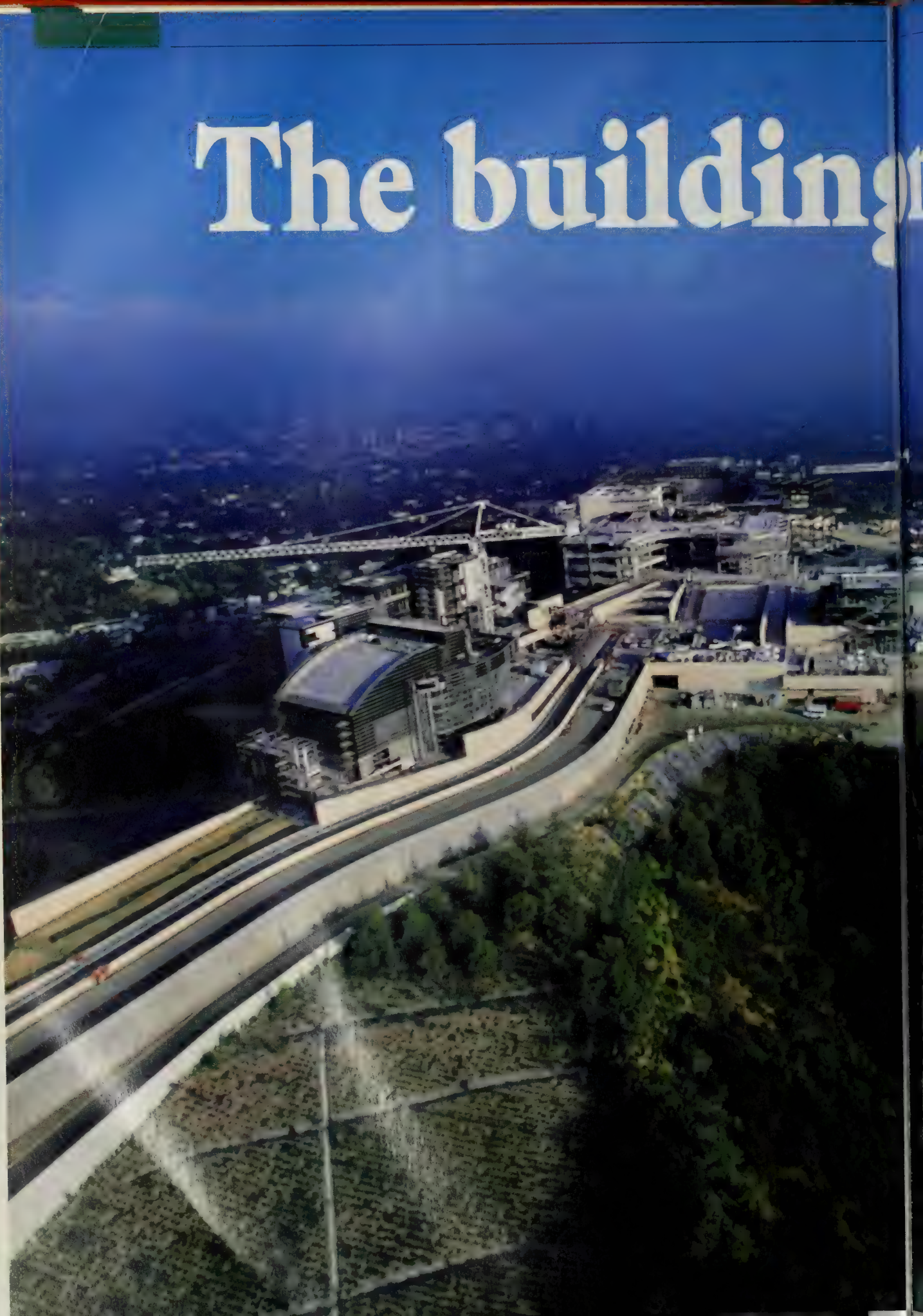

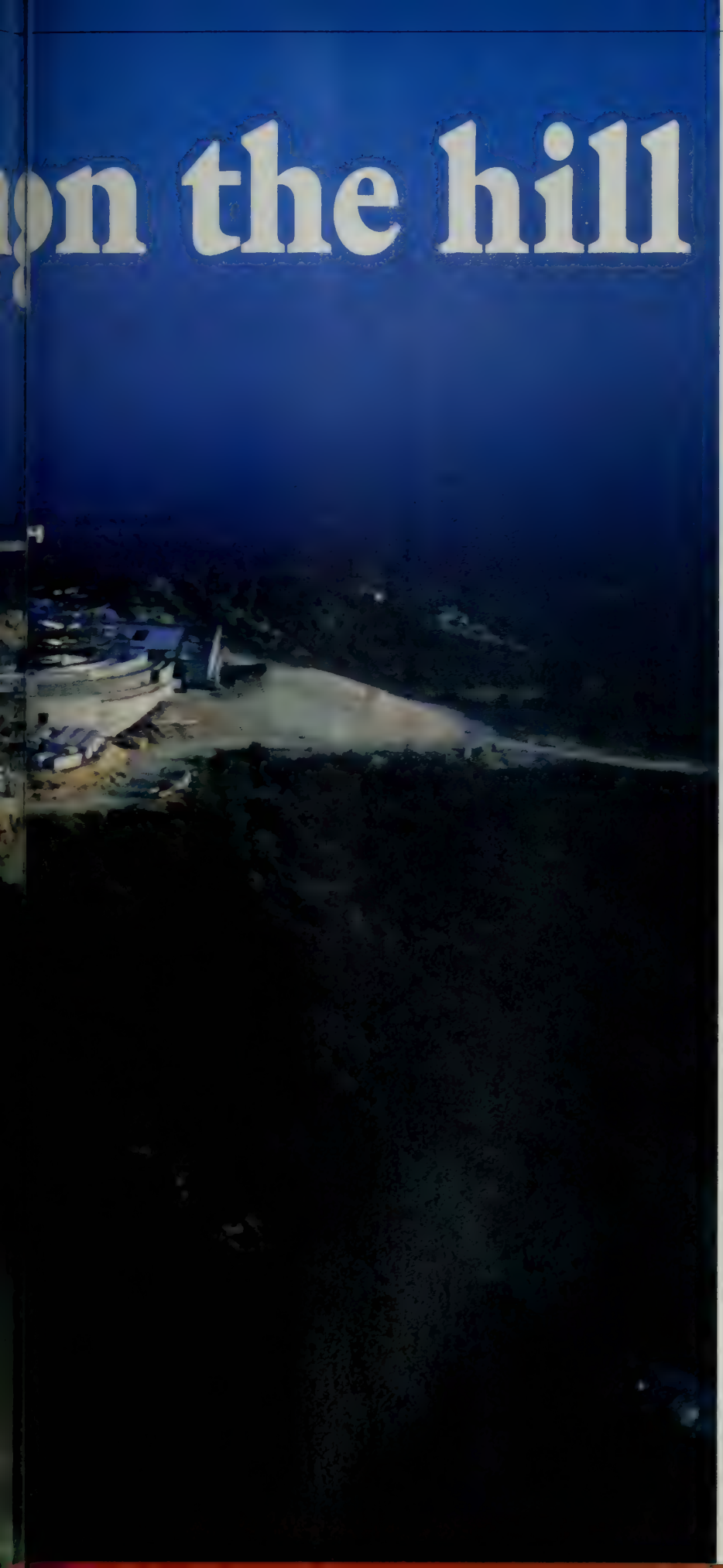

on the hill

When billionaire J. Paul Getty left most of his great fortune to art, he little dreamed he would be financing an Acropolis-on-the-Pacific that will be as much a monument to Harold Williams as to Getty.

By Marla Matzer and Robert Lenzner

WHEN THE Getty Center in Los Angeles finally opens its doors two years from now, it will have taken nearly four times longer to build than the Hoover Dam—13 years. Its cost: at least $730 million, and possibly more. This is a 1993 estimate unadjusted for inflation.

Financed from the endowment bequeathed by one of America's first billionaires, oilman J. Paul Getty, the center will be an Acropolis-like structure perched at the crest of a steep hill with views of the Pacific and the Santa Monica mountains a few miles away.

But while the setting is spectacular and grand, the exhibition space of the museum itself is quite small: It is about 25% smaller than the galleries of the Boston Museum of Fine Arts, for example.

Most of the space, 85% in fact, will be devoted not to art masterpieces but to more conventional uses as offices, lecture halls, storage space, a restaurant and an auditorium.

As much as a monument to the once-world-famous tycoon who died in June 1976, the center will be the crowning achievement of Harold Williams, 67, a low-key former businessman who has run the Getty trust pretty much as he chose for the past 14 years.

When J. Paul Getty died, he left $661 million in Getty Oil shares to the trustees of the J. Paul Getty Museum, with vague instructions that it be used for "the diffusion of artistic and general knowledge."

Because Getty left only a general outline on how the money was to be spent, Williams had tremendous latitude. Getty's attorney, Edward Landry, who knew the cagey oilman

Harold Williams, president and chief executive, J. Paul Getty Trust
He knew a lot more about business than art.

and whose firm wrote his will, recalls, "No one can say precisely what was on his mind." But Landry insists that all the programs initiated on Williams' watch "are a complement or an extension of the museum, and are within the general parameters under which the museum was established."

In any case, it was clear Getty wanted to be remembered for his art benefactions, not for his wealth. Lorenzo de' Medici, move over.

Getty's stock endowment, even then the biggest art bequest ever made, mushroomed to over $2 billion in 1984, thanks to the sale of Getty Oil to Texaco for $10 billion that year. Today it is worth about $3.9 billion, nearly five times the $780 million endowment of New York's Metropolitan Museum of Art.*

Just since 1981, when Williams took over, the endowment has grown at a rate of 15.8% a year. This above-average record has helped the trust to spend $2.5 billion over the past 14 years, on art acquisitions, operations and the new building program.

Williams left the business world a quarter of a century ago after losing out in a power struggle at Norton Simon, Inc. A liberal Democrat, he was appointed chairman of the Securities & Exchange Commission by Jimmy Carter.

After the election of Ronald Reagan, Williams was recruited for the job by Harold Berg, a former top executive of Getty Oil who had become chairman of the board of the Getty Trust. It was a strange appointment. Although Williams is a bright and thoughtful man and a success in business, he had no background in the arts. And his politics would have alienated J. Paul Getty, a conservative and backer of Richard Nixon.

Williams had to start dispensing the largesse right from the beginning. The trust, by law, must spend at least 4.25% of its endowment ($166 million) each year—or face the loss of its tax-exempt status.

Some art experts think Williams could have used the money to create a great art museum on the West Coast.

Williams' defenders argue that masterpieces are in short supply and are often too expensive when they do come up for purchase.

Notes John Walsh, director of the Getty museum: "Who knew about these new zillionaire conglomerators and the merger and acquisition people? It's hard to find masterpieces. And if you can find them, it's very hard for even the richest museum to afford more than a few such items a year."

"We decided to concentrate on small, high-quality objects for the museum," Williams says. "It was too late to be a comprehensive museum. It would have been too costly."

The masterpieces the Getty has bought in recent years did not come cheap: To buy Jacopo da Pontormo's sublime "Portrait of Cosimo I de' Medici," Williams paid $35.2 million in 1989; Andrea Mantegna's "Adoration of the Magi" was acquired for $11 million; Rembrandt's "Abduction of Europa" cost $27 million; and "Aphrodite," a large Greek sculpture, cost $18 million, the highest price ever paid for an antiquity.

Clearly Williams, with the approval of the trustees, has superimposed his own vision on Getty's vague bequest. "We want to be educational, stress conservation, the humanities, and make direct grants," says Williams. "There isn't a single institution that brings together all these aspects of the visual arts."

So Harold Williams took the idea of diffusing artistic knowledge literally. Working closely with the trustees and with Nancy Englander (who became his wife in 1987) and Leilani Lattin Duke, who were former employees of the National Endowment of the Arts—Williams developed programs in art education and conservation, a humanities think tank, computerized art information and a museum management school.

He did support some headline-

*Senior editor Robert Lenzner wrote a bestselling book about Getty: *The Great Getty.*

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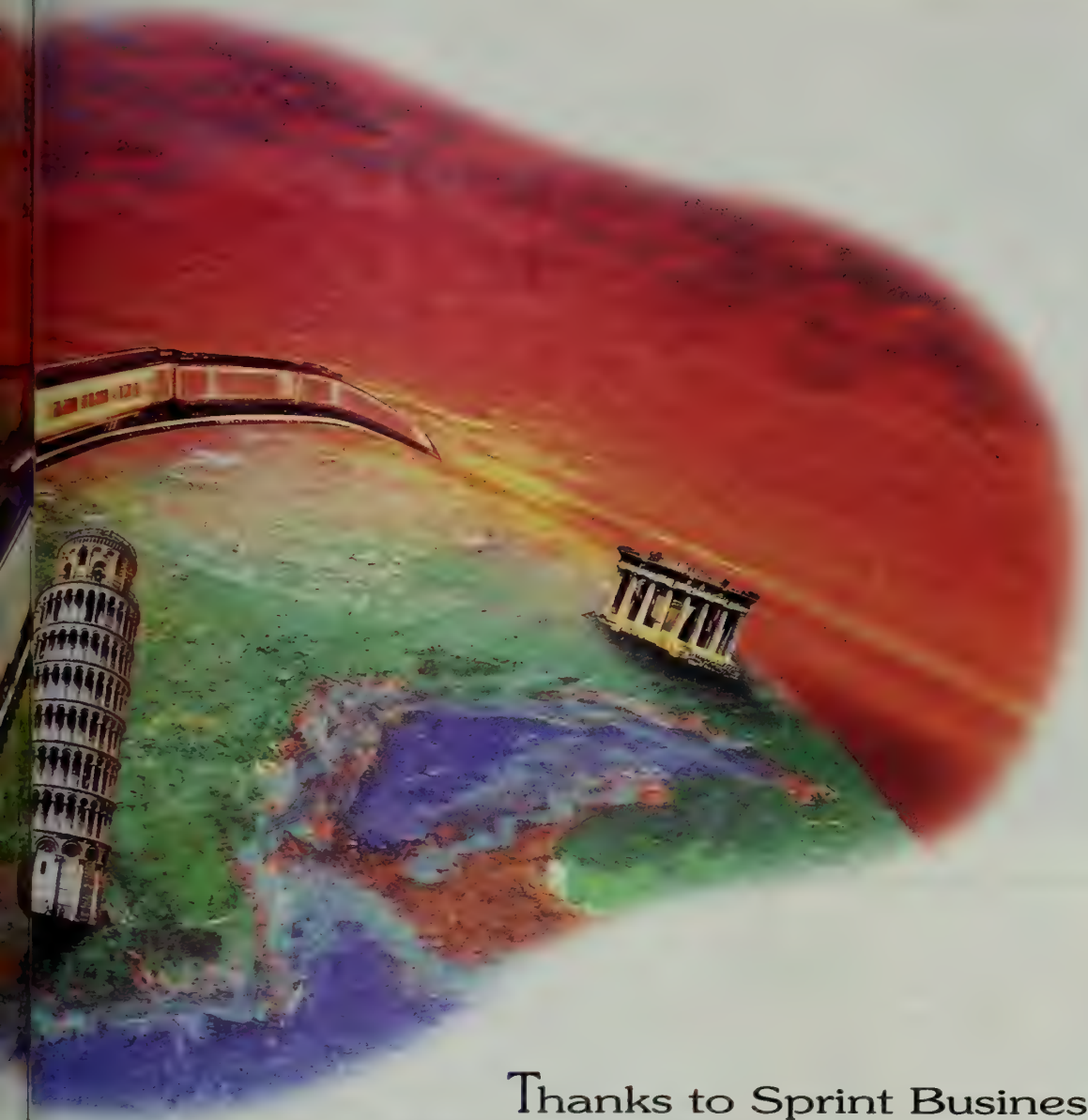

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Richard Meier, architect of the Getty Center

The Acropolis of Los Angeles—modernism with a classical touch.

grabbing acquisitions, but failed at convincing his old boss Norton Simon to place his superb painting collection under the Getty stewardship. Instead, Simon continued to keep his collection in his own museum in nearby Pasadena.

Most of Getty's personal collection of antiquities will remain at the older Getty Museum in Malibu, a few miles away. Paintings, drawings and decorative arts will be in the new museum, making Getty the only benefactor with two museums to his name in the same city.

Visitors to the citadel will ride a tramway three-quarters of a mile up the site, nestled between Bel Air and Brentwood, overlooking Los Angeles. Once there, they can dine outside and stroll in the gardens. The museum and educational shows in the auditorium will almost be an added attraction.

Except for intermittent lectures, the public will be excluded from most of the campus, which will house the Getty Center for the History of Art & the Humanities, the Getty Conservation Institute, the Getty Art History Information Program, the Getty Center for Education in the Arts and the Getty Grant Program.

The Getty Center was designed by noted museum architect Richard Meier, whose compensation is very generous. According to the Getty's tax returns, Richard Meier's firm was paid $10.1 million from June 1993 to June 1994 alone. While not all of that ended up in Meier's pocket—many specialists work under him—no doubt a healthy portion did. Over 13 years, that adds up. By comparison, Williams receives $610,000 annually.

Williams also hired a costly and flamboyant interior decorator, Thierry Despont, a Frenchman living in New York. Despont will do part of the interior of the new museum.

The Center itself is an intricate and elegant grouping of six low-lying buildings. At their base, the buildings resemble a medieval hilltop town, lavishly clad in rough-hewn, Italian marble, cut in a way to reveal fossils within the stone blocks. The top of each building is a steel-and-glass structure open to the southern California light.

Williams and Meier traveled throughout Europe, visiting a number of historic Roman sites to get ideas for the design of the center. Finally Meier found a marvelous travertine marble at a quarry in Tivoli.

Getty was a classicist and a traditionalist who lived in the English countryside in a Tudor-style mansion once owned by the Duke of Sutherland. He filled the museum he had built in Malibu with his splendid collection of antiquities and 18th-century French furniture, and a more modest assortment of paintings. The building was designed to resemble an ancient Roman villa near Pompeii.

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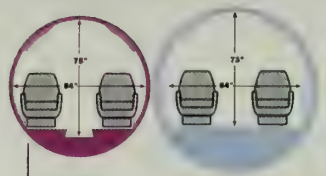

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J. Paul Getty
No one knew what was on his mind.

The J. Paul Getty Museum in Malibu
This one retains his antiquities.

Williams' monument, by contrast, is modern, "a classic expression of contemporary California," says Meier. "It's not the kind of building that Mr. Getty would build," Williams agrees.

Williams' defenders say he is spending the money—other than the construction money—as a good businessman would: on areas of opportunity. The center's Conservation Institute is helping to save adobe villages in New Mexico, Nefertari's Tomb in Egypt, Buddhist sculpture in ancient Chinese grottoes, and art and architectural treasures in St. Petersburg.

Getty, with his love of the art collected by emperors and royals, very likely would have been dismayed that some of the uses of the money are hard to quantify. This past summer, for example, the Getty organized a floating trip that took tour operators, government officials, archeologists and conservation experts to Tunisia, Sicily, Turkey and Crete.

Getty, a close man with a business dollar, would be embarrassed if he could hear the new term "Getty creep," which is used in Los Angeles today to describe the way costs on every Getty project seem to rise because contractors take advantage of the well-endowed trust.

Some of the Getty creep has arisen from delays in construction of the new Getty Center. Harold Williams himself is partly to blame. His architect had to cool his heels while Williams figured out what programs the center would house. This process took several years.

Then there were the touchy citizens of Brentwood, who demanded and got 107 conditions covering such topics as traffic, pollution, access, noise, building heights and the environment before letting construction proceed.

Williams, a softspoken man, does not take a confrontational approach to these delays. "We're surrounded here by one-, two-, three-million-dollar houses. So I understand their concern about traffic, noise, privacy, light," he says. "We came in at the peak of the no-growth movement. I'm actually grateful to the community for putting some limits on the size of it."

There is another major problem with the site, too. It is situated directly over the Santa Monica earthquake fault.

Indeed, the surprisingly severe Northridge quake in January 1994 caused unexpected damage to the project. Some of the construction ceased for four months while $15 million was spent to research and solve the problem. Contractors had to repair and reinforce the steel beams of the foundation.

Getty would not have had much patience with the vagueness about details that Williams sometimes exhibits. Ask him how much the buildings have cost to date and he responds: "It's not the kind of number I keep in mind." Operating costs? Similar answers. "I don't like to manage," says Williams, who says that he believes in "empowering, facilitating individuals."

Williams seems to have kept his board happy. J. Paul Getty hated boards of directors himself and never attended a board or an annual meeting, but then his name was on the building. Harold Williams' isn't. The trust's board includes such luminaries as Robert Erburu, outgoing chairman of the Times Mirror Co., (where Williams is a director) and Vartan Gregorian, president of Brown University. The trust's former chairman is Jon Lovelace, chairman of Capital Research Group, where Williams' wife, Nancy, is an executive.

Williams meets with his board five times a year. Erburu, also chairman of the Huntington Museum, passes the buck on every number to Williams.

J. Paul Getty, who knew his money could buy him immortality, is getting more of it than he could have possibly imagined. Harold Williams may enjoy a piece of that immortality as well. ■

Even at four, you had a good head for business.

Face it, your success is no accident. You didn't get to this point by being just like everyone else. Doing just like everyone else. Or making the same choices as everyone else. Maybe you ought to consider The Quiet Company, Northwestern Mutual Life. You'll find yourself dealing with a professional who knows the value of hard work and the need to protect its rewards. An agent who's part of the sales force ranked best in the country. You'll find a company named "the most financially sound life insurance company" in *Fortune*® magazine's annual survey. When you think about where you and your family are headed, choosing Northwestern Mutual Life makes a lot of good sense.

Northwestern Mutual Life®
The Quiet Company®

Our Business I
Make The Competition

Helping Yours®
Wish They Weren't.

To win in today's marketplace, you can't afford to make a wrong move. You need to think ahead. And when you're looking to come up with new and smarter ways of providing real value to your customers, we can give you that competitive edge.

Like helping a health and fitness equipment company acquire the needed capital to service seasonal peak activity and long-term growth plans. Or helping a leading international airport work with local government agencies to make their transportation systems state of the art.

At GE Capital Services, we're 25 diversified businesses. And each one is dedicated to developing and delivering products and services that make sure you stay ahead of the game. If you're looking to become more competitive, call 1-800-243-2222 today. It's a smart move.

GE Capital Services
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AMERICOM • AUTO FINANCIAL SERVICES • AVIATION SERVICES • COMMERCIAL EQUIPMENT FINANCING
COMMERCIAL FINANCE • COMMERCIAL REAL ESTATE FINANCING • CONSOLIDATED FINANCIAL INSURANCE
EMPLOYERS REINSURANCE CORPORATION • EQUITY CAPITAL GROUP • FINANCIAL GUARANTY INSURANCE COMPANY
FLEET SERVICES • GECC FINANCIAL (HAWAII) • GENSTAR CONTAINER • GLOBAL CONSUMER FINANCE
GLOBAL PROJECT & STRUCTURED FINANCE • GNA • MODULAR SPACE • MORTGAGE INSURANCE
MORTGAGE SERVICES • PENSKE TRUCK LEASING • RAILCAR SERVICES • RETAILER FINANCIAL SERVICES
TECHNOLOGY MANAGEMENT SERVICES • TIP/TRANSPORT INTERNATIONAL POOL • VENDOR FINANCIAL SERVICES

Switzerland's Sulzer Technology has a gem of a medical technology business dragged down by a lot of other stuff. Is there a Swiss Jack Welch around?

Small expectations

By Richard C. Morais

SULZER TECHNOLOGY CORP. is a Swiss-based firm that does over $1 billion mostly in medical supplies in North America each year, on which it supports a host of lackluster other businesses. It is a company that badly needs a touch of U.S.-style stockholder activism.

Last year Winterthur-based Sulzer earned $160 million on sales of almost $5 billion. But over 80% of the operating profits came from one medical parts division, largely based in the U.S. The other businesses—from textile machinery to office services—contributed $4 billion in revenues but only about $26 million or so in net profits.

A recent Lehman Brothers study on European engineering firms found Sulzer's 8.2% average return on capital employed from 1988 to 1994 one of the worst performances of the 15 companies studied. Without the U.S. medical parts division, the showing would have been far worse. The bad news has caught up with Sulzer. Its shares historically traded at a P/E average of 13 times next year's estimates, but today the shares in London and Zurich are trading near their low, at a P/E of 11 times 1996 estimates. "The success of the medical parts division

Sulzer Technology's chief executive, Fritz Fahrni
"This is hard to understand from the outside," he says. How true.

A foreign exchange highway.

An oil and gas highway.

A news highway.

A shipping highway.

CABLE & WIRELESS
BUSINESS NETWORKS

A MEMBER OF
THE CABLE & WIRELESS
FEDERATION

No matter how modern its technology, and no matter how far-flung its outposts, a communications service is only as powerful as its users make it. In an effort to learn more about the global communications needs of key business sectors, we're forming some of the industry's first genuine customer-supplier partnerships with companies in the oil, media, finance and shipping sectors – to name but four. The result is a greater understanding of their businesses, as well as a greater understanding of our own – namely the delivery of a global communications service defined by its users. To find out more, contact your local Cable & Wireless company or e-mail business.networks@cw.mercury.co.uk

has allowed Sulzer's management to get away with rambling diversification," argues Chris Heminway, analyst at Lehman Brothers. Heminway believes things can only get better.

And yet the rotten return on capital figures doesn't even tell the whole story, because Sulzer has big real estate holdings in downtown Zurich and Winterthur whose value is not fully reflected on the books. Just 15 minutes from Zurich's Kloten airport you'll notice obsolete and abandoned Sulzer factories on blocks of prime real estate. Kids have thrown rocks through the windows of the derelict yellow-brick factories, and an avant-garde theater troupe has hung a banner from a window advising passers-by to "Keep Cool."

Keep cool. That's exactly what Fritz Fahrni, Sulzer's chief executive, wants his shareholders to do. But for how long?

Much more had been expected when Fahrni first took over. In the 1960s Fritz Fahrni, now 53, earned a Ph.D. at the Illinois Institute of Technology. He wanted to immigrate to the U.S and found work at NASA. But he lost his job with the post-moon-landing cutbacks in 1970 and returned to Switzerland where he joined Sulzer in 1976 after a few years at Ciba-Geigy.

With his American-style get-up-and-go, Fahrni seemed just the right person for the job. Sulzer was a Swiss institution that had fallen asleep. In 1841 it helped build Switzerland's first steam central-heating system; from that seed came Sulzer Infra, Europe's largest building services contractor. Its Sulzer Ruti Group is the world's largest weaving machinery manufacturer.

In 1963 a leading transplant doctor found at Sulzer the engineer who could build an artificial hip that wouldn't corrode in blood; today, after $1 billion of acquisitions in Texas and California, Sulzer is a leader in pacemakers, heart valves and grafts, and orthopedic implants. All reputable and solid work.

An objective that modest would be laughed at by any self-respecting U.S. board of directors—and most European boards.

In 1988 Tito Tettamanti, the Swiss raider, made a hostile run on the company and Sulzer's board, while beating off the raid, tapped Fahrni for the chief executive suite. Seven years later, Sulzer seems to have little to show for Fahrni's ministrations.

Yet Fahrni puts up a spirited defense of his record. He says he has cut back Sulzer's 27 disparate businesses to four major groups—textile machinery, building services, medical parts, pumps and compressors. There's also a catchall division with five businesses ranging from locomotives to thermal coating. But, he says, he can prove every business left in the company is among the top three brands in its field. "What do a pump, a heart valve and heat installations have in common?" he asks rhetorically. Answer: Each product stems from Sulzer's superior understanding of fluid or air "flow" and the "laws of physics." "This is hard to understand from the outside," he offers.

Okay, but a fair question is: Where's the bacon?

Fahrni goes wild with charts. Here is Sulzer's stock looking good against a universe of other companies. Here is return on capital compared with a few hand-picked peer companies. Yet another chart shows the company's net income has climbed from $59 million to $160 million since he took over.

All this is true, but it doesn't change the fact that most of Sulzer's businesses make rotten returns. One wonders what Jack Welch would do with this mishmash. But, then, of course, Jack Welch's board of directors isn't simply a collection of let's-not-rock-the-boat Swiss insiders.

It's quite clear that Fahrni likes to give divisions several years of leeway before dumping losing businesses and redeploying capital. He says his long-term objective is for return on capital employed to average at least 9%. An objective that modest would be laughed at by any self-respecting U.S. board of directors—and most European boards.

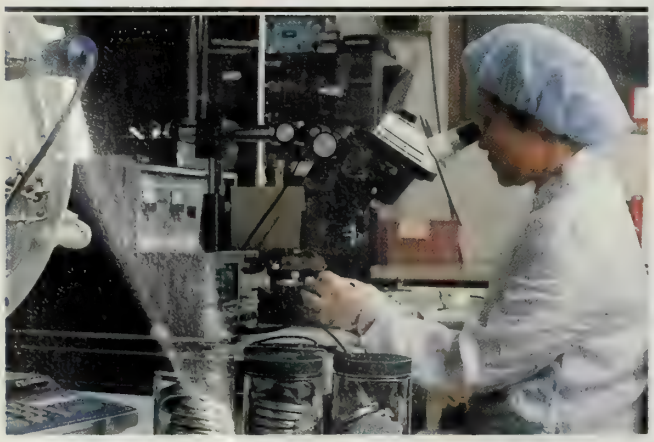
European capital goods companies like ASEA and BBC, Linde, Atlas Copco, Alusuisse, MAN, Sasib, Schneider and Mannesmann all produce average returns on capital employed of between 12% and 17%. Why then does Sulzer's board accept such lowly goals?

Sales at Sulzer the first six months of this year were up slightly in local currencies, but thanks in large part to the strength of the Swiss franc against the U.S. dollar, net income in Swiss francs was down 35%, to just $18 million.

But, says Fahrni, over the next few years profits should get a boost from Sulzer Ruti's just-introduced weaving machine, which is said to be four times faster than existing machines; from Unity, a one-lead, two-valve pacemaker; and from a new offshore oil and gas pump that works at sea bottom. "That may move us ahead," he says.

And what about all that fallow real estate? The real estate market in Switzerland is depressed. "If I sold now I would destroy value for the shareholders," he maintains.

"I hate excuses," says Fahrni. "I love results." But where are they?



Sulzer's pacemaker assembly line in Texas **Alone in pumping profits.**

GENERAL SIGNAL

Gestetner

MAN ROLAND

Loctite Corporation

Connecticut Mutual
The Blue Chip Company®

United Technologies

ITT HARTFORD

Konover

BARNES GROUP INC

DURACELL

UNIVERSITY OF CONNECTICUT 1881

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FIRST FIDELITY

Fleet

GTE

Witco

Pfizer

BlueCross BlueShield of Connecticut

people's bank

Yale New Haven Hospital 1826

National Guardian

Children's Hospital at Yale New Haven

Pitney Bowes

SNET
We go beyond the call

THE DOCUMENT COMPANY
XEROX

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CSC

AQUARION

Phoenix Home Life
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Special Olympics World Games

Northeast Utilities System

Physicians HEALTH SERVICES

YankeeEnergy

CNG CONNECTICUT NATURAL GAS CORPORATION

DAVID FREEMAN
President and Chief Executive Officer

LOCTITE CORPORATION

Loctite Corporation, an international company with $800 million in annual revenues, is an innovator in the adhesives and sealants field, marketing over 1,000 products in more than 80 countries.

Loctite began in Hartford in 1953. Management elected to increase Loctite's presence in Connecticut in 1994, declining the state's offers of economic incentives, and opening a large new research, development and administrative facility in Rocky Hill. "Loctite's roots are in Connecticut," says David Freeman, president and chief executive officer. "With its highly-skilled, exceptionally well-educated workforce, Connecticut is the ideal location for a high-tech, R&D-based business like Loctite Corporation."

Loctite provides cost-competitive chemical answers to industry, creating markets through product innovation, rather than seeking share of finite markets. With innovation, research, reinvestment and long-term growth as corporate priorities, Loctite has gained a leadership position in the electronic, medical, automotive and consumer markets.

Computers, automobiles, syringes and cosmetics are just some of the items made with Loctite products. The company often develops the equipment used for application and assembly as well.

Loctite's world headquarters are in Hartford; the company's North American Group headquarters are in Rocky Hill.

Loctite Corporation

CONNECTICUT:
THE STATE THAT THINKS LIKE A BUSINESS.

You're familiar with the formula for success — if not survival: cut expenses. Encourage new ideas. And make responsiveness not just a word, but a way of life.

That's just good business.

Governor John G. Rowland

Shouldn't a state seeking new business follow suit? Especially when it's after high-growth companies already accustomed to the fast lane?

Government and business leaders decided to transform Connecticut: creating the one state whose services are actually modeled on the private sector's understanding of customer service.

In a land of Yankee ingenuity, they invented the state that thinks like a business.

Today, led by Governor John Rowland, our pro-business momentum has never been stronger. And we're helping companies of all types and sizes capitalize on Connecticut's natural advantages.

STRATEGIC LOCATION AND ACCESS TO INTERNATIONAL MARKETS.

Connecticut offers a prime location, especially for companies who want a strong base in the Northeast. No wonder more than 100 U.S. and international businesses have put their regional distribution centers here in the last few years.

Within a 500-mile radius, you can reach 28% of the U.S. population and 60% of Canada's. In fact, Canada is Connecticut's largest trading partner. And Connecticut is an export powerhouse: first in the nation for trade-sector strength and export-related manufacturing jobs.

"Loctite's roots are in Connecticut. With its highly skilled workforce, Connecticut is the ideal location for a high-tech, R&D-based business like Loctite Corporation."
David Freeman, President & CEO, Loctite Corporation

Exports to the European Union are over $2 billion annually, and more than $1 billion to Asia. Connecticut firms export to over 100 different countries; the State is already a leader in exports to Mexico and Greater China. It's therefore no surprise that exporting is Connecticut's biggest industry segment, or that State government has an aggressive program to help companies make overseas business connections. From foreign market assistance, trade missions and on-line data on foreign markets, to assistance with export problems and trade financing, Connecticut is mak-

g the most of the new global mar-
tplace. The program has been
aised by businesses for its thor-
ghness, its imagination, and its
actical, real-world understanding
the complexities of exporting.

"Since making our home in Greenwich in 1989, we have had a business partnership with Connecticut that has been extremely successful for us."

Chandran Rajaratnam, President & CEO, Gestetner

Within the U.S. itself,
onnecticut's size also offers serious
conomies of scale. In an area 31
mes smaller than California, you
ave virtually all of its resources:
igh-technology centers, leading uni-
ersities, financial and industrial
ants, diverse manufacturing opera-
ons, and a vast network of service
usinesses. Almost every specialty
ontractor you need can be at your
oor in two hours.

Not only good things, but big
hings come in this small but highly
ophisticated package.

HIGHLY SKILLED WORKERS IN A HIGHLY DESIRABLE NEIGHBORHOOD.

Companies capitalize on the
Connecticut work force, rated first
n the Northeast for productivity by
World Trade magazine. The State
as a rich talent bank; Connecticut
anks second in the nation for the
umber of patents held per capita,
nd in the top five for percentage of
cientists and engineers per thousand workers. The Connecticut Yankee work ethic drives this high concentration of highly skilled people, in every field from biotechnology to precision manufacturing. What's more, they're available at highly competitive wages.

Then there's the personal side of the equation: people just love to live here.

They're drawn to the picturesque New England villages, the culturally rich cities, the beautiful parks, beaches and golf courses. No matter where you live, in less than an hour you can be picnicking in one of Connecticut's 100 state parks and forests, or walking barefoot along 250 miles of saltwater shoreline on Long Island Sound.

But the best surprise comes when you look beneath that stunning exterior — and discover it's all available at competitive rates.

GOVERNMENT GETS DOWN TO BUSINESS.

Connecticut's leadership has worked aggressively to make sure the State welcome mat bears an equally welcoming price tag.

We've established fiscal stability, with a balanced budget.

We've cut corporate taxes to 7.5% by the year 2000 — lower than half the states in the nation — and they're reducing personal income taxes.

We've slashed workers' compensation rates for three years in a row. Totally revamped the unemployment compensation system. And reformed welfare, saving $133 million in taxes in just two years.

Throughout the State agencies, we've dislodged bureaucracy and

CHANDRAN RAJARATNAM
President and Chief Executive Officer

GESTETNER

The key word for Gestetner Corporation is "partnership." Since making our home in Greenwich in 1989, we have had a business partnership with Connecticut that has been extremely successful for us. As an employer, and as a sponsor of various organizations and activities, including the 1995 Special Olympics World Games, we are committed to having a partnership of mutual enrichment with the people of Connecticut.

For over 110 years, "partnership" is also how we have viewed our business. Today, with branch offices throughout the U.S. and in 134 countries around the world, we enjoy a position as the world's largest independent distributor of office equipment. In addition to copiers, we offer digital duplicators, fax machines, printers and integrated digital products. With such a wide selection of products to recommend, our mission is to develop a partnership with our customers by understanding their needs and then tailoring a cost-effective solution to meet them.

Gestetner

SIMON KONOVER
Chairman
MICHAEL KONOVER
President and Chief Executive Officer

KONOVER

Konover & Associates, Inc., headquartered in West Hartford, Conn., has consistently ranked among the nation's largest, privately-held real estate development organizations. During more than 35 years of operation, Konover has grown to become New England's leading developer by developing and acquiring more than 200 commercial and multi-family residential properties, most of which are still owned and self-managed.

Konover's presence in the state of Connecticut alone offers shoppers more than 3.5 million feet of retail space, and the company has remained extremely active throughout the severe downturn of the early nineties. Michael Konover attributes its current high level of activity to "our being fortunate to have anchored retail shopping centers as our strongest niche. Although Connecticut and the Connecticut real estate market have never fully recovered from the crash, the state continues to have the highest per capita income in the nation and one of the lowest levels of retail square footage per capita."

Now in its second generation of direct-family management, Konover has steadily diversified into an organization of more than 800 people with expertise in acquisition, development, construction, marketing, leasing and management. It has owned or developed in excess of 16,500,000 square feet of retail, office, hotel and residential communities along the East Coast.

Konover

paved a fast track for licensing and permitting.

"The state continues to have the highest per capita income in the nation and one of the lowest levels of retail square footage per capita."

Michael Konover, President & CEO, Konover & Associates, Inc.

And across the board, the State is making "continuous improvement" its watchwords — not unlike the quality-minded companies we want to attract. And its ongoing objective is to be the most business-friendly state in the U.S.

"At SNET, we don't just do phones anymore. Southern New England Telecommunications now offers information, communications and entertainment services that help you make the Information Age do what you want it to."

Daniel J. Miglio, Chairman & CEO, SNET

"This is a non-partisan effort," says Governor Rowland. "It brings together people of different talents, backgrounds and political perspectives, with a shared goal: to keep the Connecticut economy strong, healthy and steadily expanding."

MONEY TALKS WITH A CONNECTICUT ACCENT.

During the credit crunch of the early '90s, the State relied on the Connecticut Development Authority

DANIEL J. MIGLIO
Chairman and Chief Executive Officer

SNET

At SNET we don't just do phones anymore. Southern New England Telecommunications now offers information, communications and entertainment services that help you make the Information Age do what you want it t

SNET is building I-SNET, Connecticut's information superhighwa an interactive multimedia network that will pave the way for a new generation of education, health care and information services, new job opportunities an more entertainment choices.

For businesses of all sizes, SNET can help you apply emerging technologies to outperform competitors. We ca create cost-effective customized packages using SNET's advanced intelligent network that combines voice, data and video capabilities to grow business profitably. SNET offers local and global calling services, wireless communications network and information management, publishing and advertising services. SNET will soon offer Internet access, and our video service is currently in trial.

While Information Age services are not unique to SNET, no competitor offers SNET's breadth and depth of advanced capabilities from a single, reliable source. And only SNET — with $3.5 billion in assets and 1.5 million customers in Connecticut and neighboring states — is ideally positioned to help customers understand, simplify and apply these new services to improve their business and personal lives.

SNET
We go beyond the call

THEODORE E. MARTIN
President and Chief Executive Officer

;ARNES GROUP INC.

; Barnes Group Inc. completes its 38th year of business in Bristol, onn., we can take pride in our many complishments as one of the state's ost enduring companies, and one of e world's leading manufacturers and stributors of precision metal compo-ents and industrial supplies.

Throughout our history we ave grown by adapting to changing arkets and responding to customer eeds with superior quality products nd services. A key element in our iccess has been an ever-increasing vestment in the best people and the test technology, including a new ate-of-the-art Center for Advanced esearch in Bristol, which uses the ost sophisticated tools for product esign and development in the spring dustry.

Today, Barnes Group (NYSE: B) a leader in its main markets, employ-g over 4,000 people at 40 locations orldwide, with annual sales exceed-g $600 million. Our oldest business, ssociated Spring, is the largest anufacturer of close-tolerance prings for the durable goods industry North America. Bowman istribution is a leading supplier of eplacement parts and supplies to the aintenance, repair and operating upplies (MRO) market, and Barnes erospace has built a strong reputa-on for producing and refurbishing recision-machined components and dvanced fabrications for jet engines nd airframes.

BARNES GROUP INC

to provide financing when the banks wouldn't. In the last 3 years, CDA has made 434 loans, totaling more than $543 million. Standard & Poor's gave CDA an "A+" rating on

"As Barnes Group Inc. completes its 138th year of business in Connecticut, we take pride in our many accomplishments as one of the state's most enduring companies."

Theodore E. Martin, President & CEO, Barnes Group Inc.

its debt — the highest grade awarded to any economic development agency in the country.

Connecticut was the first state to establish a new-product financing authority, transforming it into Connecticut Innovations, Inc., the State's leading technology financing and support organization. And the Connecticut Pension Funds have established the Connecticut Programs Fund, a $150 million venture-capital investment.

"We are proud to be a part of this great state and to contribute to its progress, especially in improving education."

Charles R. Lee, Chairman & CEO, GTE Corporation

Connecticut has reserved more than $75 million in incentives. They include corporate tax credits for firms that create large numbers of jobs, R&D and job training tax credits and loans, sales tax exemptions for computer outsourcing, and property and sales tax relief for manufacturers' equipment.

CHARLES R. LEE
Chairman and Chief Executive Officer

GTE CORPORATION

GTE Corporation has been a corporate citizen of Connecticut for more than 20 years. We are proud to be a part of this great state and to contribute to its progress, especially in improving education. We believe that a strong commitment to quality and excellence leads to success, and we know that a well-educated, well-trained workforce is vital to our continued, long-term growth. It is our people who have made us the world-class company we are today. GTE is the fourth-largest publicly owned telecommunications company in the world. We are the largest U.S.-based local telephone company and a leading cellular-service provider. Telecommunications is one of the most dynamic industries in the world and we are uniquely positioned within our industry to take full advantage of the tremendous opportunities that we have now and in the future.

GTE

W.C. STEERE JR.
Chairman and Chief Executive Officer

PFIZER INC.

Pfizer is one of the world's leading health care companies, a position earned through decades of innovative research and development. The company has businesses in pharmaceuticals, medical devices, consumer health care, food science and animal health. Through our R&D efforts, we expect to emerge in the coming years as the premier innovator within our industry. In 1995, Pfizer will spend approximately $1.5 billion on R&D, putting us at the forefront of investment in the cures of tomorrow.

Pfizer is approaching its 50th anniversary in Connecticut. With our worldwide research organization headquartered in Groton, we have a considerable stake in the state's future. We look forward to continuing our positive partnership with Connecticut.

More than 36 banks have joined the State's loan guarantee program.

The end result: Connecticut has become fertile ground for new, high-tech entrepreneurial businesses, while encouraging growth in our traditional manufacturing sectors.

Connecticut's leaders understand the types of businesses that can succeed here. They're pioneering companies in state-of-the-art fields such as AIDS research and DNA testing. They're manufacturing firms looking for high-value locations with affordable workers. They're corporate pacesetters who want to be in the heart of the Northeast, and they're small, dynamic businesses that want to draw on the energy and resources the State can put to work for them.

"Pfizer is approaching its 50th anniversary in Connecticut. We look forward to continuing our positive partnership with this state."
W.C. Steere Jr., Chairman & CEO, Pfizer Inc.

As you take a look around Connecticut in the next few pages, you'll probably recognize opportunities like the ones you're after right now.

MANY TEAMMATES. ONE CONCERTED EFFORT.

Perhaps most crucial of all to business success, Connecticut has brought together the different parties involved in business recruitment and forged a streamlined team.

When we refer to the Connecticut team in the stories to come, we're talking about a diverse but tightly knit corps. These economic-development professionals come from both the public and private sectors. They're well-trained in the wide array of resources available to assist firms. They understand that business needs an informed, responsive advocate that can get things done. State agencies work in concert with local, regional, state and private economic-development specialists. They in turn rely on bankers, brokers, utility managers and others to support the broad business-development effort. The mission of this team is clear: to demonstrate how much Connecticut wants new business and how hard they'll work to give growing companies all the help they need.

The Connecticut team has mastered the art of turning business services, funding programs and regulatory requirements into a cohesive action plan. They've eliminated much of the duplicate effort that can make relocation frustrating. And they've set a new standard for responsiveness.

A quick look around the State should give you a taste of their accom-

CONNECTICUT CITIES: AMONG AMERICA'S BEST.

Money® magazine's 1994 "Top 300 Best Places to Live in America" includes cities in all five Connecticut regions: Stamford/Norwalk, Danbury, New London, Bridgeport, Waterbury and Hartford.

Pfizer

shments — and a good idea of the ort you can expect behind your mpany's plans.

onnecticut's interstate system inter-cts in Hartford, giving you rapid cess to Northeast markets. The ate spent $10 billion in road and idge improvements, gearing up for e business growth of the next cen-ry. It's made Connecticut a perfect se for regional distribution centers. he Greater Hartford area is one of e top ten cities in America for access to transportation systems, according to *The Places Rated Almanac.*

The State is also a major gateway to the world. Bradley International Airport in Windsor serves five million passengers and handles more than 117,000 tons of cargo annually. The State has invested $200 million in new terminals, cargo facilities and access roads.

"Connecticut's pro-growth legislative/ regulatory climate greatly benefits companies striving to compete and prosper in the 21st century."

Ronald E. Compton,
Chairman, Aetna Life and Casualty Company

That kind of commitment is one reason why UPS decided to expand its Northeast distribution hub

Rob Moore

radley International Airport, Windsor—just outside Hartford.

RONALD E. COMPTON
Chairman

AETNA LIFE AND CASUALTY COMPANY

Connecticut has been home to Aetna since 1853, when we began selling life insurance policies from a small office in downtown Hartford. Today, Aetna is one of the world's leading providers of insurance and financial services, including health care services, property-casualty coverage, life insurance and asset management. Strong, stable and experienced, Aetna has earned the trust of millions of customers who rely on us to help them build financial security and manage life's risks.

Aetna continually draws upon the abundant resources the state of Connecticut offers its industries. Among them: Easy access to commercial and financial centers in the U.S. and abroad, a large and talented labor pool, and an outstanding quality of life marked by a shared commitment to educational excellence, cultural richness and preservation of natural beauty.

In today's competitive environment, partnership between the public and private sectors is essential. Connecticut's pro-business initiatives and pro-growth legislative/regulatory climate greatly benefit companies striving to compete and prosper in the 21st century.

Ætna

ROBERT W. FIONDELLA
Chairman, President and Chief Executive Officer

PHOENIX HOME LIFE

We started here, and Connecticut is still our home some 140 years later.

As the nation's 14th-largest mutual life insurance company, Phoenix Home Life has established a reputation for product innovation that few life insurers can match. We offer a diverse portfolio of personal and business life insurance products, as well as employee benefit programs, individual investment products, institutional investment management plans, reinsurance, products designed for international markets, and property-casualty insurance through a network of agencies.

We are proud of our commitment to our historic home state. In 1995 alone, we served as an Official Sponsor of the Special Olympics World Games, held in New Haven; celebrated the opening of a newly purchased office building in Hartford; and purchased two additional properties in the capital city. We also took the first steps in merging our investment management operations with Chicago-based Duff & Phelps, creating a combined money management company that will be headquartered in Hartford.

The heart of our company is our dedication to the individuals, families and businesses that look to us for help with their life insurance and investment needs throughout their lifetime. We strive to be the company that combines the two better than any other.

Phoenix Home Life

Official Sponsor
Special Olympics World Games

at Bradley International. To encourage America's premier delivery service, the Connecticut team put

> "We started here, and Connecticut is still our home some 140 years later. We are proud of our commitment to our historic home state."
>
> Robert W. Fiondella, Chairman, President & CEO, Phoenix Home Life

together quite a package of its own: It included financial assistance to build a 200,000-square-foot facility with a new aircraft parking apron. UPS has signed a 35-year lease on 31 acres of Department of Transportation property. One might just call that a sign of confidence in their state of choice.

Hartford is famous as the Insurance Capital of the World and a hub for Connecticut's powerful financial services community. That's one reason **Blue Ridge Insurance**

> "A great deal of Pitney Bowes' success has been achieved through the efforts of Connecticut people and the skills they bring to work every day."
>
> George B. Harvey, Chairman & President, Pitney Bowes

Company of Dallas wanted to set up a new headquarters in the Greater Hartford area. When Blue Ridge expressed its interest, the Connecticut team moved quickly.

They not only helped secure financing and an infrastructure improvement grant, they worked with the State Insurance Commission to simplify and speed up the transfer of Blue Ridge's operating license. The

GEORGE B. HARVEY
Chairman and President

PITNEY BOWES

Pitney Bowes has been in business in Stamford, Conn., since 1920. That year, Arthur Pitney and Walter Bowes founded the corporation and began making postage meters with a small Stamford workforce.

Seventy-five years later, Pitney Bowes is a $3.3 billion manufacturer and marketer of mailing, shipping and office systems, products and services. And today, Pitney Bowes employs approximately 6,000 people in Connecticut (more than 27,000 throughout the world), making it one of the largest employers in Fairfield County.

A great deal of Pitney Bowes' success has been achieved through the efforts of Connecticut people and the skills they bring to work every day — their flexibility in the face of global challenges, their practical knowledge and their willingness to continue to learn. The Pitney Bowes workforce of Connecticut practices the level of loyalty and dedication required for worldwide business leadership and knows how to keep Pitney Bowes strong in today's competitive markets.

Pitney Bowes

WILLIAM R. TOLLER
Chairman and Chief Executive Officer

WITCO CORPORATION

elebrating our 75th anniversary in usiness, Witco is a relative newcomer Connecticut, having established its orld headquarters in Greenwich just ver one year ago. As a manufacturer specialty chemical and petroleum roducts with annual revenues in xcess of $2.2 billion, 7,000 employes, plants in 12 countries, and marting and sales offices that span the obe, it is important to us that a ongenial workplace environment onducive to furthering our corporate oals be provided. The beneficial esults of consolidating our management and support staff in Greenwich ave more than met our expectations.

Witco has ambitious goals into e next century, including the expanon of our operations in the Pacific im, and deeper market penetration of ur core product areas of oleochemials, surfactants, polymer additives, resins nd petroleum specialties. The advange of working in the positive business nvironment of a state such as onnecticut should clearly help us to oncentrate resources on achieving ur goals.

Witco

property/casualty company now has a 40,000-square-foot facility in suburban Simsbury.

Simsbury is also the new home of Olympic skating stars Oksana Baiul and Viktor Petrenko, who are polishing their awesome moves at the world-class International Skating Center. If you prefer skating with a little checking, check out the

"The advantage of working in the positive business environment of Connecticut clearly helps us to concentrate our resources on achieving our goals."

William R. Toller, Chairman & CEO, Witco Corporation

Hartford Whalers at the Hartford Civic Center. Hartford's new Meadows Music Theatre brings in world-class artists like Elton John, Michael Bolton and David Bowie. Richard Thomas and other stars captivate audiences at the Tony-Award-winning Hartford Stage. Picasso and Wyeth hang out down the street at the Wadsworth Atheneum. And stop by the lavish Victorian mansion of

"The businesses of United Technologies were founded on great ideas that have made life more convenient and more comfortable for the people of the world."

George David, President & CEO, United Technologies

our resident genius, Mark Twain. He said of Hartford, "Of all the beautiful cities in the world, this is the chief." And he should know.

GEORGE DAVID
President and Chief Executive Officer

UNITED TECHNOLOGIES

The businesses of United Technologies were founded on great ideas that have made life more convenient and more comfortable for the people of the world. So powerful were those ideas that today the names Otis, Pratt & Whitney, Carrier and Sikorsky are synonymous with their industries. Those companies, as well as UT Automotive and Hamilton Standard, are unquestioned leaders in their industries, providing a broad range of high-technology products for aerospace, building systems and automotive customers. Few companies are more international than UTC; we do business in virtually every country of the world. And, in recent years, UTC has confidently and successfully entered such new markets as the former Soviet Union, China, Eastern and Central Europe and Vietnam. In our markets, as in our technology, our goal is to be there first.

Visit UTC on the Internet at http://www.utc.com.

United Technologies

"When I say I support business I mean business."

John G. Rowland
Governor, State of Connecticut

"We're cutting business costs, cutting regulations, cutting back government — and cutting taxes.

"Meanwhile, we're building better relationships with business by making the State more responsive and easier to deal with. All businesses, both big and small, will receive the cooperation, respect and service they deserve from State government.

"I don't want Connecticut to be just a good state for business. My goal is to be the best."

Business owners: want proof? Contact the Connecticut Economic Resource Center, Inc. The CERC is your one-stop gateway to State programs and services: a private sector, nonprofit organization, in partnership with the Connecticut Department of Economic and Community Developme

Call 1-800-392-2122. Or visit our Web site at http://www.cerc.com/CERCHome.html

Connecticut
Economic Resource Center, Inc.

Connecticut. The state that thinks like a business.

RICHARD J. GROSSI
Chairman and Chief Executive Officer

THE UNITED ILLUMINATING COMPANY

e United Illuminating Company ovides electricity and energy-related rvices to 306,000 customers in uthern Connecticut.

In 1994, UI experienced record es. It was also a year in which we eamlined operations, achieved owth in earnings and increased our idend to shareowners for the fourth nsecutive year.

As we look to the future, we lieve our region enjoys great omise. Our business resources hich include such global giants as GE, yer and Sikorsky Aircraft) are atched only by our educational assets, hich number a dozen seats of higher rning, including Yale University.

We at UI are deeply committed southern Connecticut. The partnerips we have forged with business and vernment are helping to create new onomic development opportunities. addition, we are developing valueded services and programs in order better serve our customers.

And in light of possible industry eregulation and increased competition, e continue to further reduce erating costs and increase our cost mpetitiveness.

UI proudly stands with our onnecticut partners in our deep and sting commitment to Connecticut's ccess, now and in the future.

This past year, the eyes of America were glued to Eastern Connecticut, home of the 1995 NCAA Women's Basketball Champions: the University of Connecticut Lady Huskies. But it's also the ideal home for businesses that want to capitalize on real estate bargains for commercial, industrial and residential property.

"Connecticut plays a central role in Duracell's plans for the future, a fact demonstrated by the recent completion of our new worldwide headquarters in this state."

Charles R. Perrin, Chairman & CEO, Duracell International Inc.

That was a deciding factor for **Royal Book Manufacturing.** The Canadian publisher wanted a presence in the Boston/New York corridor. But more importantly, they got a customized assistance package from Connecticut: a 60,000-square-foot site in Norwich, a target investment community; five- and ten-year corporate income tax credits; and low-

"UI proudly stands with our Connecticut partners in our deep and lasting commitment to Connecticut's success, now and in the future."

Richard J. Grossi, Chairman & CEO, The United Illuminating Company

CHARLES R. PERRIN
Chairman and Chief Executive Officer

DURACELL INTERNATIONAL INC.

Duracell International Inc. (NYSE: DUR) is the world's leading manufacturer of high-performance consumer alkaline batteries, with annual revenue exceeding $2 billion. A workforce of over 8,000 is readying Duracell for the 21st century. In anticipation of expanding worldwide demand for alkaline batteries, Duracell is building production facilities in China and India. In addition, Duracell is expanding its product line to include advanced nickel-metal hydride rechargeable batteries and continues its aggressive research into other new battery technologies to power cellular phones, camcorders and portable computers.

The Constitution State plays a central role in Duracell's plans for the future, a fact demonstrated by the recent completion of Duracell's new worldwide headquarters in Bethel. More than 65% of the contractors who worked on constructing Duracell's environmentally sensitive facility were Connecticut-based. While Duracell has rapidly adapted to the demands of a global battery market, the company's commitment to Connecticut remains as long lasting as the reputation of the Copper Top battery.

DURACELL

BERNARD M. FOX
President and Chief Executive Officer

NORTHEAST UTILITIES SYSTEM

To our "Partners in Progress™" — Current and Future:

The Connecticut Light and Power Company (CL&P) and its predecessors have been supplying electricity to customers for well over a century, so we have considerable experience as a key player in the Connecticut economy.

Especially in this time of recovery from a severe recession, CL&P understands its obligation to participate in public/private partnerships to help create and retain jobs. Even though electric power accounts, on average, for only 2% of all business costs throughout New England, CL&P is committed to adding a significantly higher percentage of resources to the economic vitality of the region.

We've developed an energy-services business founded on competitive prices, superb customer service and a comprehensive portfolio of products and services that can be tailored to meet the unique needs of individual customers.

I urge you to find out more about CL&P's pioneering energy-efficient programs, innovative electrotechnology advances, targeted technical assistance and customized economic-development rates — all of which can be tailored to help you meet your particular energy needs.

Our Economic and Community Development representatives are available to you at (860)665-5889. Their expertise, backed by the extensive resources of the $10.7-billion Northeast Utilities System, will help you be a winner in your marketplace.

Northeast Utilities System

interest mortgages to help ease the relocation of key employees.

With three Enterprise Zones, an eight-town Enterprise Corridor and a Foreign Trade Zone at State Pier in New London, there's plenty of flexible, affordable room in Eastern Connecticut. It's a prime location for back-office operations looking for elbow room, an available, affordable workforce, and housing value.

The economic advantages of Eastern Connecticut helped **Keeper Corporation** resist the allures of the American south. North Carolina was pitching this automotive tow strap manufacturer hard. The Connecticut team worked harder. They helped retain the company with a broad-based spectrum of incentives and services. The result: Keeper is adding 26,000 square feet to its North Windham plant.

Eastern Connecticut is also a high-tech proving ground. University of Connecticut scientists are pushing the envelope in precisi manufacturing, fiber optics, plastic environmental technologies and ph tonics. The State actively sets up joint R&D projects between University researchers and private-sector businesses.

"Through Connecticut Light and Power Company we offer pioneeri energy-efficient programs, innovative electrotechnology advances, targeted technical assistance and customized economic-development rates — all of which can be tailored to help businesses meet their particular energy needs."

Bernard M. F
President & CEO, Northeast Utilities Syst

Groton is the submarine capi tal of the world — and a talent ban for superskills, reengineered for defense diversification. You'll find

Avery Point, Groton. Home of the University of Connecticut Sciences & Technology Cent

Connecticut Tennis Center, at Yale University, New Haven. The third-largest tennis stadium in the world.

TERRENCE MURRAY
Chairman, President and Chief Executive Officer

FLEET FINANCIAL GROUP

Connecticut was hailed as a national leader when it took steps in the 1980s to ensure the development of strong regional banks. The merger of Fleet and Shawmut fulfills the vision of the state's farsighted legislature by creating a locally focused bank with the strength to compete nationally.

The merger will make Fleet the preeminent bank in Connecticut and enhance our ability to meet the needs of the communities we serve.

Real commitment is expressed through deeds, not words. Since 1994, Fleet and Shawmut loans and commitments to small- and medium-sized businesses have supported more than 20,000 jobs in Connecticut. As the only regional SBA-preferred lender, we will continue to increase our partnerships with local businesses to fuel the state's economic development.

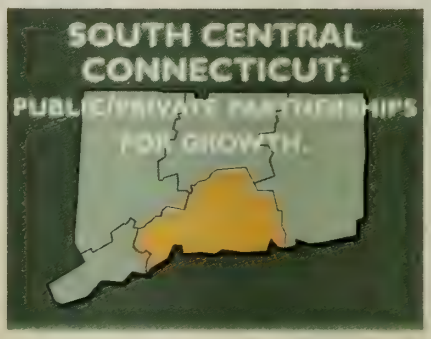
Connecticut has a bright future. Fleet's merger with Shawmut is the most eloquent statement we could make, in these changing times, of our commitment to the state.

ven world-class marine science esearch and education institutions ithin a ten-mile radius, including a 50 million expansion project for Conn's Avery Point facility. With istoric Branford House as its archi-ctural centerpiece, Avery Point will onduct collaborative applied esearch with companies to develop ew technologies and stimulate eco-omic activity.

"The merger of Fleet & Shawmut fulfills the vision of the state's farsighted legislature by creating a locally focused bank with a strength to compete nationally."

Terrence Murray,
Chairman, President & CEO,
Fleet Financial Group

And it's hard to resist the charm f living and working in the heart of a urism mecca: the tall ships of Mystic eaport; the U.S.S. Nautilus, the orld's first nuclear submarine; the als and sea life of Mystic Marine Life quarium; and the Foxwoods Resort & asino, the largest in the western emisphere, and is owned by the ashantucket Pequot Indian Nation.



Among its many industries, South Central Connecticut is the heart of the East Coast pharmaceutical corridor. **Bayer** (formerly Miles, Inc.) has an international R&D center in the West Haven/Orange area. The company approached the State with big growth plans -- and big logistical challenges: for example, moving an entire cinema complex to give Bayer better access to Interstate 95. The Connecticut team had a key role in planning the expansion, securing the help of the Department of Environmental Protection and the towns of West Haven and Orange. As a result, Bayer will have a new 230,000-square-foot addition to its campus.

Here too, State government has become a catalyst for public/private-sector synergy. Yale University and the State are partners in the Center for Advanced Neuroscience, a pio-

Fleet
Member FDIC

Phil Zimmerman

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

Connecticut Mutual Life Insurance Company, founded in 1846, is a long-time industry leader and an active member of the community.

Connecticut Mutual, with historic headquarters at 140 Garden Street, Hartford, has assets of $12.8 billion and sells individual and group life insurance and disability income insurance, and through its broker/dealer subsidiary G.R. Phelps & Co. Inc., mutual funds and annuities nationwide.

The insurer has a strong focus on small businesses. With the U.S. Chamber of Commerce and *Nation's Business* magazine, Connecticut Mutual sponsors the Blue Chip Enterprise Initiative, an annual award program that honors small businesses. Connecticut Mutual also has strategic partnerships with the National Association of Women Business Owners, the U.S. Small Business Administration and the International Franchise Association.

Connecticut Mutual has a long-standing commitment to the Hartford community and the region. The Connecticut Mutual Life Foundation grants about $1 million each year to schools, housing programs, art groups, health and human service organizations. Connecticut Mutual employees are leaders and volunteers in many community organizations.

Connecticut Mutual
The Blue Chip Company®

neering R&D lab. Yale, Olin Corporation and the city of New Haven have also joined forces to create Science Park, an 80-acre R&D center, which includes incubators,

> Connecticut Mutual has a long-standing commitment to the Hartford community and the region, granting about $1 million each year to schools, housing programs, art groups and human service organizations.

laboratories and support businesses in every field from computer software to food service. It has become a prestigious address for entrepreneurial ventures at the forefront of biotechnology. The inroads to researchers at institutions such as Yale are invaluable to these businesses.

No matter what size a firm may be, it gets the same energy and careful coordination from the Connecticut team. Case in point: Indiana was calling **Walbro Automotive, Inc.**, of Meriden. That's where its parent company has two facilities. The pressure to move was on. But the State team came through comprehensively. They found the auto fuel systems manufacturer a

> "The UConn 2000 program . . . is ready to help the state's businesses and industries break new ground in their efforts to be the best."
>
> **Harry J. Hartley, President, University of Connecticut**

150,000-square-foot site with Enterprise Zone and other urban incentives. Team Connecticut worked

HARRY J. HARTLEY
President

UNIVERSITY OF CONNECTICUT

Keeping the skills of Connecticut's current and future workforce finely tuned is the primary mission of the University of Connecticut, one of the top-ranked public research institutions in the nation. With more than $110 million in research funding annually, UConn professors, working closely with business and industry, study everything from agriculture to zebra mussels, from aquaculture to zoology. And now, a 10 year, $1 billion program is in place to rebuild, renew, and enhance the University's infrastructure. Teachers, researchers, students and staff are ready to help the University—and the state's economy—climb to another level.

The UConn 2000 program, approved by state legislators and signed by Gov. John G. Rowland in June provides about $100 million annually in capital improvement money. It is critical funding that will see ground broken on new chemistry, business administration and pharmacy buildings, bringing the finest laboratories and classrooms to the lush Connecticut hills, ready to help the state's businesses and industries break new ground in their efforts to be the best.

Another UConn 2000 project—a $58 million Marine Sciences Center—will be constructed only minutes from the Mystic Marinelife Aquarium and its new research center, together creating one of the finest marine research corridors in the nation.

And that's just the beginning. The University of Connecticut is launching a new era, and all of Connecticut will be a part of it!

UNIVERSITY OF CONNECTICUT 1881

BRANKO TERZIC
Chairman, President and Chief Executive Officer

YANKEE ENERGY SYSTEM, INC.

n energy services holding company hose principal subsidiary, Yankee Gas ervices Company, is Connecticut's rgest natural gas company serving 77,000 customers in 67 communities. he competitive energy services of n-site electric generation, energy upply planning and energy conversion ngineering are provided by Yankee nergy Services Company and the ewly acquired BVA/Cogen located in lymouth, Massachusetts. Other subdiaries provide financial services for nergy-related equipment and investhents in interstate pipeline systems.

Established as an independent ompany six years ago, Yankee Gas uickly became a leader in technology y becoming the first natural gas comany with fully automatic meter readg capability. This technology base will nable the company to meet new hallenges of providing unbundled gas elivery and related services to cusomers facing increasingly cost-cometitive markets. The company contines its technology lead by being the rst in New England with mobile ideo camera inspection technology.

Yankee Gas has received nation- awards for its promotion of environhentally superior natural gas for vehicar use to improve Connecticut's air uality. The DOE's "Clean Cities" desnation was obtained by Norwalk, Vaterbury and New London with the ompany's participation.

"You get our best energy" is the ompany's theme, reflecting the dual oals of both efficient energy delivery nd superior customer service.

YankeeEnergy

with the Department of Environmental Protection and the City of Meriden on a fast-track environmental remediation. They helped prepare the infrastructure for the expansion. And they put together attractive utility rates and programs. The Walbro package included financing for new injection molding equipment and job training for 354 new hires.

"PHS maintains its commitment to Connecticut. The quality of our employees in this state is one reason why PHS client companies and members invariably report overwhelming satisfaction with PHS."

Michael E. Herbert, President & CEO, Physicians Health Services Inc.

You'll find "high-living" as well as high-tech in this neck of the woods, especially if you love the arts. Last year, East Haddam's Goodspeed Opera House won a Tony Award. It shares the spotlight with New Haven's legendary Shubert Performing Arts Center and the award-winning Yale Rep and Long Wharf theaters. Yale's art galleries, including a major collection of British art, are among the finest in the world. When the kids

"Our technology base will enable the company to meet new challenges of providing unbundled gas delivery and related services to customers facing increasingly cost-competitive markets."

Branko Terzic, Chairman, President & CEO, Yankee Energy System, Inc.

need a little prehistoric entertainment, bring them to the din r bones at the Peabody Museum ports lovers

MICHAEL E. HERBERT
President and Chief Executive Officer

PHYSICIANS HEALTH SERVICES INC.

Physicians Health Services Inc. (PHS) is the largest managed care company in Connecticut, providing health care services throughout Connecticut and New York through a network of hospitals and physicians in private practice. The company also offers a variety of insurance products through its insurance agency subsidiary, Physicians Health Insurance Services Inc., and its workers compensation subsidiary, Total Employee Care Inc.

Headquartered in Trumbull, Conn., PHS has had a special relationship with the State's employers since its founding in 1975. Many segments of Connecticut's employer base — from high tech and ship building to manufacturing and service-sector businesses — have chosen PHS to provide quality health care services.

PHS maintains its commitment to Connecticut. The quality of PHS's 600 employees, the majority of whom are based in Trumbull and regional offices, is one reason why PHS client companies and over 200,000 members invariably report overwhelming satisfaction with PHS. That's not surprising, because PHS's credo is "Intensive caring. It's not what you'd expect from a health plan. But it is what you deserve." And PHS consistently receives high marks from regulatory and accrediting agencies. In fact, PHS is fully accredited by the National Committee for Quality Assurance. NCQA accreditation is the "Good Housekeeping" seal of approval for HMOs.

Physicians® HEALTH SERVICES

DONALD R. FRAHM
Chairman and Chief Executive Officer

ITT HARTFORD

For nearly two hundred years, ITT Hartford has been proud to call Connecticut our home. We have grown and prospered in a state that has a rich history and deep traditions, and we feel privileged to be part of that story.

Through the years, we have grown to become the largest property/casualty insurer domiciled in the "Nutmeg State," protecting homes, autos, businesses, associations and municipalities. In fact, ITT Hartford is the largest insurer of municipalities in the state. ITT Hartford Life has been the nation's fastest-growing major life insurer for the past five years and became the nation's premier issuer of individual annuities in 1994. It is also among the industry leaders in the pension and disability markets. From its roots as a local, single-line company, ITT Hartford has become a worldwide provider of insurance and financial products and services with over $12 billion in revenue.

Our success would have not been possible without the dedication of an extraordinary workforce. Our 8,500 employees in Connecticut are highly motivated, well educated and deeply committed, and bring alive a long tradition of excellence. And we're also fortunate to have a state administration committed to supporting our aggressive business plans for the future.

ITT Hartford and our people have had a long history of service, working to support the cultural, educational and economic institutions and initiatives that have been part of the Connecticut tradition. And in turn, Connecticut has been good to us!

ITT HARTFORD

can watch world-class tennis at the Pilot Pen International, held at the Connecticut Tennis Center — the third largest tennis stadium in the world. And when you just want to unwind, you can do it in an area The

"ITT Hartford and our people have had a long history of service, working to support the cultural, educational and economic institutions and initiatives that have been part of the Connecticut tradition. And in turn, Connecticut has been good to us!"

Donald R. Frahm, Chairman & CEO, ITT Hartford

Nature Conservancy calls "One of the Last Great Places on Earth": the lower Connecticut River, with miles of lush natural beauty.

Half of Connecticut's top 100 companies put their home base here in Fairfield County: America's third-largest center of corporate headquarters. But there's plenty of affordable room, as more and more businesses are discovering.

The people at **Swiss Bank** did something we invite you to do: They called our 800 number and talked to the Connecticut Economic Resource Center, Inc. (more about that shortly). That call began an all-out campaign to move the financial

Goodspeed Opera House, East Haddam

Science Park, New Haven

ervices leader from New York City o Stamford.

It was a big coup for Connecticut, but not an easy one: State laws blocked companies like Swiss Bank from doing business here. Connecticut was not only willing to nove mountains, we were willing to hange our tax laws. The General Assembly cleared the way. City and State officials packaged the deal, vith substantial tax credits on future arnings. DEP developed a site remeliation plan. The utilities applied ong-term economic development ates and provided engineering and lanning assistance. Five local boards rovided necessary approvals in record time. Swiss Bank is building a 563,000-square-foot office tower with a 367,000-square-foot garage in downtown Stamford. It stands to save millions as a result of the move.

AmeriCares, headquartered in New Canaan, was established by Connecticut businessman Robert C. Macauley. Since its inception in 1982, AmeriCares has shipped $1.2 billion in medical aid to people in 90 countries.

"We recognize our responsibility to provide products that meet the fiscal needs of Connecticut businesses. It is our conviction that by helping to keep businesses healthy, we contribute to a strong economic foundation for Connecticut."

John F. Croweak, Chairman & CEO, Blue Cross & Blue Shield of Connecticut

The State is especially committed to preserving our long tradition in manufacturing. As evidence, look at the Connecticut team's work with **Lacey Manufacturing** of Bridgeport. This precision metal manufacturer approached the Bridgeport Regional Business Council with plans to expand or relocate. City and State Specialists performed a feasibility study on expanding to property adjacent to Lacey's plant. They put together a financing package that included property and corporate income tax

JOHN F. CROWEAK
Chairman and Chief Executive Officer

BLUE CROSS & BLUE SHIELD OF CONNECTICUT

As Connecticut's needs, and the health care delivery system itself, have changed, Blue Cross & Blue Shield of Connecticut has become much more than simply an insurance company. As the state's leading managed-care company, our focus has become creating programs that have a direct, positive impact on our members' health and well-being. Whether improving the quality of life for pediatric asthma patients, promoting timely scheduling of mammograms, or helping to prevent childhood accidents, we continuously strive to keep our members well.

We also recognize our responsibility to provide products that meet the fiscal needs of Connecticut businesses. Through partnerships with the medical community, we have developed a full complement of competitively priced managed-care products while maintaining the quality benefits employees want. It is our conviction that by helping to keep businesses healthy, we contribute to a strong economic foundation for Connecticut.

Looking ahead to the year 2000, while our role in the health care industry will continually evolve, our commitment to promote the health and well-being of Connecticut residents and businesses will remain the cornerstone of all our efforts.

BlueCross BlueShield of Connecticut

HEIGI SCHMIDT-LIERMANN
Chief Executive Officer

MAN ROLAND INC.
WEB PRESS DIVISION

We are the North American manufacturing arm of the world's largest supplier of roll-fed printing presses such as those used to print newspapers, magazines and packaging. Ours is a vital business which helps preserve one of the most important freedoms guaranteed by the Constitution, that of broadly and easily accessible information.

This is a company of pioneers. Many of our engineers hold patents for innovations which may forever change the way printed material is produced.

In partnership with the Mashantucket Pequots, one of the largest employers in southeastern Connecticut, we are aggressively expanding our manufacturing capability and are also currently building a new training center which will provide our customers the necessary bridge between theory and application for future print technologies. Thus our focus is to add value for our customers.

As a world player with diverse manufacturing centers, we chose Connecticut for our U.S. operation. From the intellectual resources provided by the State's top-rated universities to the supportive partnerships provided by its financial service community, Connecticut possesses all of the qualities necessary to help us build a world-class business.

MAN ROLAND

credits, assistance from the utilities, and benefits as an Urban Jobs employer.

"From the intellectual resources provided by the state's top-rated universities to the supportive partnerships provided by its financial service community, Connecticut possesses all the qualities necessary to help build a world-class business."

Heigi Schmidt-Liermann, CEO, MAN Roland Inc.

While the Fairfield County area conjures up images of skyscrapers and corporate jets, more than 200 small businesses have relocated to Southwestern Connecticut in the past three years. They've discovered real estate bargains and the resources they need — expecially when energized by State and municipal support.

"Yale-New Haven's pioneering spirit has led to numerous medical landmarks, including the world's first newborn intensive care unit, the first successful use of penicillin in the U.S. and the first use of chemotherapy for cancer."

Joseph A. Zaccagnino, President & CEO, Yale-New Haven Hospital

Connecticut Department of Economic Development

Yale University, New Haven

Frank Fisher

JOSEPH A. ZACCAGNINO
President and Chief Executive Officer

YALE-NEW HAVEN HOSPITAL

Founded in 1826 as the nation's fifth hospital, Yale-New Haven (YNHH) is 900-bed, tertiary care facility which includes the Children's Hospital at Yale-New Haven. Affiliated with Yale University School of Medicine, YNHH is among the premier medical centers in the U.S., accepting referrals from throughout the world.

With a 169-year tradition of clinical leadership, Yale-New Haven's pioneering spirit led to numerous medical landmarks, including the world's first newborn intensive care unit, the first successful use of penicillin in the U.S. and the first use of chemotherapy for cancer.

The Yale-New Haven health system includes YNHH, the Children's Hospital at Yale-New Haven, a medical staff of both university and community-based physicians, a network of primary care providers and relationships with other health care facilities. The Yale-New Haven system treats a large, diverse population across the entire spectrum of care — from preventive to outpatient to hospital to rehabilitation to home.

Children's Hospital at Yale-New Haven

Yale New Haven Hospital 1826

EDMUND M. CARPENTER
Chairman and Chief Executive Officer

GENERAL SIGNAL CORPORATION

General Signal Corporation is a leading manufacturer of equipment for the process control, electrical and industrial technology industries with estimated 1995 annual sales of nearly $2 billion and return on shareholder equity approaching 20%. General Signal has delivered consistent dividends to shareholders for the past 55 years.

General Signal products make businesses more competitive and communities safer throughout the world. Connecticut is home for two of our companies, while a third provides mass transit equipment to the state.

GS Building Systems Corporation, based in Farmington, is a leading manufacturer of fire detection and alarm systems and the number one source for emergency lighting in offices and factories.

Also based in Farmington, O-Z/Gedney manufactures electrical fittings, hazardous lighting and fire-stop products that make roads and factories safer and easier to maintain.

GFI Genfare provides the technology to automate public transit in Connecticut's largest communities. This work is helping state transit authorities fit bus routes to passenger needs.

General Signal recently announced its proposed acquisition of Shelton, Connecticut-based Data Switch, a leading manufacturer of switches that facilitate the flow of information in data networks.

At General Signal, Connecticut is the right place for business.

GENERAL SIGNAL

When you base your company in this part of the State, you can savor the Connecticut lifestyle and still make those big meetings in the Big Apple; every day, more than 200 commuter trains run between the region and New York City.

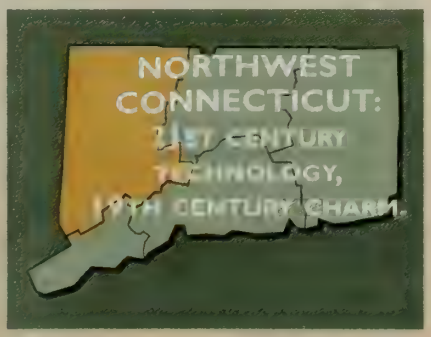
"General Signal products make businesses more competitive and communities safer throughout the world. At General Signal, Connecticut is the right place for business."

Edmund M. Carpenter, Chairman & CEO, General Signal Corporation

And when they're not taming the business jungle, residents watch the sharks at the Maritime Center in Norwalk, tour the Beardsley Zoo and enjoy theater and dance at the Stamford Center for the Performing Arts.

"Thanks to the efforts of Governor John G. Rowland and his administration, and to Connecticut's pro-business legislature, CSC looks forward to developing many more business partnerships within this state."

Van B. Honeycutt, President & CEO, Computer Sciences Corporation



Everyone appreciates the beautiful wooded hills and country inns of Northwest Connecticut. But many are surprised to learn how inexpensively they can set up operations here — and how vast the advanced technology and

VAN B. HONEYCUTT
President and Chief Executive Officer

COMPUTER SCIENCES CORPORATION

Computer Sciences Corporation (CSC) has been working with the state of Connecticut to lead the way to a robust economic environment. We started with a state-of-the-art computer center in Norwich, have added a second data center in Meriden, and have sites in Groton, New London, New Haven, Norwalk and Hartford. CSC strongly believes in the business potential that exists here and plans to consolidate work from other states into our Connecticut-based infrastructure.

CSC provides a full range of information technology solutions including management consulting, systems integration and outsourcing. In this exciting decade of challenge and economic change, we partner with clients to find new ways to improve productivity, sustain their competitive edge and achieve market growth. Some of our clients include General Dynamics, United Illuminating, Polaroid, Mutual of New York and Southern New England Telephone.

Thanks to the efforts of Governor John G. Rowland and his administration, and to Connecticut's progressive, pro-business legislature, CSC looks forward to developing many more business partnerships within this state. We are proud to be a part of Connecticut's future and are helping to pave the way to greater opportunity today.

CSC

PAUL A. ALLAIRE
Chairman and Chief Executive Officer

XEROX CORPORATION

Xerox moved its corporate headquarters to Stamford from Rochester, N.Y., 26 years ago and we've never regretted that decision. During our quarter-century here, Connecticut has proven itself to be a state that welcomes and nourishes the business community. Our state government demonstrates a commitment to that community every day, with leaders who have a clear idea of what's good for the economy and who back up their commitment by maintaining an excellent transportation, education and communications infrastructure for our 3 million citizens. But besides an economic climate that's good for business, Connecticut has a quality of life that is unsurpassed anywhere in the country. Its rolling hills, miles of scenic coastline and vast historic treasures dating from colonial times make Connecticut not only a great place to do business but a great place to live.

manufacturing resources are.

Products include robotics, superconductors, electric car manufacturing, virtual reality software, and chemical, biomedical and energy products. CorpTech, a national publisher of high-tech directories, calls the Housatonic Valley "one of New England's top ten technology centers." You'll also find a strong traditional manufacturing base, for everything from bearings to metal working.

From a corporate standpoint, the region is really an extension of Fairfield County, home to such giants as **Duracell International.** Duracell has its world headquarters here, and the Connecticut team worked full tilt to keep it that way. To facilitate a major expansion, the Connecticut team had to blaze a fast track while orchestrating a complex universe of logistics.

The project was so massive it needed close coordination among three municipalities: Bethel, Brookfield and Danbury. The demands were high: Duracell not only wanted more space and better access to its new facility; it needed super-redundant telecommunicatio and power systems to ensure uninte rupted telephone and computer service.

The Connecticut team cut through red tape to deliver rapid pe mitting approvals, including infrastructure improvements. The utilities worked together to satisfy

"During our quarter-century here, Connecticut has proven itself to be a state that welcomes and nourishe the business community. Connecticut has a quality of life that is unsurpassed anywhere in the country."

Paul A. Allaire, Chairman & CE
Xerox Corporati

Duracell's exacting requirements. And a compelling financial incentives package convinced Duracell it was on the right site in

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he right state.

In another demonstration of a vell-coordinated effort, witness the eam's work with **Advanced Technology Materials Inc.** of Danbury. The company could have noved to Silicon Valley — a natural and logical choice for this high-tech semiconductor manufacturer. What's more, its lease was up and its options were open. Connecticut countered with assistance to renovate its building, purchase new equipment and cut its power costs. And won.

The region offers plenty of ways to play, from the beaches of Candlewood Lake to the pulse-quickening race car action at Lime Rock. Drive down historic Route 7, named one of the Best 50 Scenic Drives in America by no less an authority than *National Geographic*. Enjoy music under the stars at Danbury's Charles Ives Center for the Arts or thrill to the Nutmeg Ballet at Torrington's Warner Theater.

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Connecticut's health care system reads like a Who's Who of modern medicine: Yale-New Haven Hospital, Hartford Hospital, and the University of Connecticut Health Center, to name just a few. In 1996, the new Connecticut Children's Medical Center will open its doors in Hartford. This world-class facility, a collaboration of Newington Children's Hospital and the pediatric departments of Hartford Hospital and the UConn Health Center, will have top pediatric specialists, in every area from oncology to emergency medicine.

"First Fidelity has grown neighborhood by neighborhood and community by community to better serve our customers in Connecticut. And as we grow, so does our community."

Thomas H. O'Brien Jr., President & COO, First Fidelity Bank Connecticut

Connecticut has the fourth-highest ratio of physicians to people. In another innovative partnership between the State and the insurance industry, Connecticut became the first state in America to offer long-term coverage for nursing home care without risking the elderly person's life savings. Connecticut also ranks

"STATE OF THE YEAR." The National Alliance of Business made Connecticut its 1994 State of the Year "for outstanding and innovative leadership in workforce development."

THOMAS H. O'BRIEN, JR.
President and Chief Operating Officer

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First Fidelity Bank, headquartered in Stamford, is part of First Fidelity Bancorporation which is among the 25 largest banking companies in the U.S. with more than 650 branches in six states. When First Fidelity acquired the Union Trust Company in May 1993, we made a firm commitment to continue to serve the consumers and middle-market companies in our marketplace.

At First Fidelity Bank, we combine superior service quality with the financial resources that benefit our customers throughout the state. Through our statewide network of 65 branch offices, we offer a broad range of consumer and business products including loans and deposit products, mortgages, home equity loans and credit lines, credit, cash management, trade finance, trust and investment services.

Our commitment to local communities has been part of our corporate culture for over 100 years, and we continue to sponsor worthwhile community activities and programs. Some of these include UConn Huskies athletics, Special Olympics Team Connecticut, the First Fidelity Tennis Classic to benefit Big Brothers/Big Sisters of Southwestern Connecticut and the Good Samaritan Van to help troubled motorists.

First Fidelity has grown neighborhood by neighborhood and community by community to better serve our customers in Connecticut. And as we grow stronger, so does our commitment.

FIRST FIDELITY

RICHARD K. SCHMIDT
President and Chief Executive Officer

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Aquarion (NYSE:WTR) is the parent of Bridgeport Hydraulic Company, the largest investor-owned water company operating in New England. Founded in 1857, BHC and its Stamford Water Company subsidiary provide high-quality water to one in six Connecticut residents through retail and wholesale operations serving 24 communities in Fairfield, Litchfield and New Haven counties.

An ample water supply is essential to economic growth and industrial development, and BHC's reserve capacity far exceeds demand. Through the state's economic development program, BHC offers a competitive rate package for companies looking to relocate to Connecticut. To ensure that its drinking water supplies meet all state and federal standards for quality and safety, BHC will have invested approximately $85 million in four new filtration facilities by 1997. By then, all of its surface water supplies will be filtered.

Aquarion's laboratory subsidiary, IEA, provides a full range of environmental testing services for clients in the private and public sectors. Other Aquarion businesses include real estate, utility management services and forest products.

speed. And in the creative ways

Aquarion is the parent of Bridgeport Hydraulic Company (BHC). Through the state's economic development program, BHC offers a competitive rate package for companies looking to relocate to Connecticut."

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CNG has the clean and plentifu gas supply, the strong financial base and the creative marketing programs designed to retain current customers and attract new businesses to Connecticut.

AQUARION

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CONNECTICUT NATURAL GAS CORPORATION

Damaging admissions

BY THOMAS SOWELL

Dr. Thomas Sowell is an economist and a senior fellow at the Hoover Institution in Stanford, Calif.

ANYONE who wants to know how college admissions directors at elite institutions think should read the recently published book *Questions and Admissions* by Jean H. Fetter. But, if you want to know why in God's name anyone would think that way, you will have to get some other book by somebody else.

Jean Fetter was dean of admissions at Stanford University from 1984 through 1991. Her book may be the best statement of the prevailing creed in college admissions offices at elite institutions.

Do not expect to learn from Ms. Fetter's book why a student's extracurricular activities in general or "public service" in particular are important considerations in the admissions process, or why "societal injustices" are to be rectified there. She just says they are, as if all right-thinking people already know why.

Questions and Admissions is at its best as a guided tour of the college admissions process. Here we meet the dedicated staff who work incredible hours poring over the application folders, we see the pain of their agonizing choices and the exhilaration they feel at the end, when they conclude that theirs has been a job well done. Then we grieve with their vicissitudes as angry parents and their tearful children demand to know why they were not admitted.

Who knows? There may be a great TV series here. But, for those of us so narrow as to want to know what all this sound and fury signifies, the pickings are very lean.

Ms. Fetter elaborates the "complexities" of the choices facing the admissions committee and the "sensitivity" with which they make those choices, but the book is much less clear on just what it is that they are trying to achieve—and there is absolutely nothing that would enable anyone to test how well they have achieved it.

If—horror of horrors—these wonderfully complex and sensitive people were replaced by a computer, how would we know whether the end results were better or worse? To Ms. Fetter, it may seem axiomatic that the results would be worse. But to those of us old-fashioned enough to want some standard by which to test that empirically, she gives us very little to go on.

Anyone who wants to see these kinds of questions dealt with concretely and straightforwardly would do far better to read *Choosing Elites* by Robert Klitgaard. Professor Klitgaard studied the admissions process at Harvard, which is not very different from that at Stanford, but he did so as an outsider with no axe to grind and no need to obscure or evade.

What Jean Fetter presents as a complexity of the admissions process is too often a confusion of criteria. It is never clear in *Questions and Admissions*—or in other writings by other deans of admissions—whether the admissions officer's job is to pick those students with the best prospects of producing the biggest bang for the buck out of their education or to dispense the largess of admissions to the most deserving souls.

Repeatedly the author gives examples of applicants whose outstanding academic achievements reflect privileges not enjoyed by others—and argues that it would be unfair to penalize those others by giving too much weight to such achievements.

Ms. Fetter does not think it would have been right to require Achievement Tests, for example, because "such tests could unfairly penalize disadvantaged students" who, "through no fault of their own" went to high schools that gave them inadequate preparation.

Lest you think that there are double standards at Stanford, Ms. Fetter declares that "my staff and I took pride in our focus on the individual, not on any groups or representatives of groups." She rejects "myths" about "purported quotas."

"Righting wrongs" is a questionable role for a college admissions office.

Several pages later, however, we learn that some "categories of applicants receive special consideration" and that "Stanford University is committed to a substantial representation of Blacks, Mexican Americans, and Native American Indians."

In a sense, it is unfair to single out Ms. Fetter for using this kind of double-talk, which is standard operating procedure in admissions offices across the country. So too is evasion of brutal statistics on intergroup differences in test scores. As Ms. Fetter puts it, "application of quantitative measures to the selection process at Stanford is ill-founded" because the admissions staff "do not admit by SAT scores and grade-point averages."

Likewise, teams in the National Basketball Association do not hire by height. But, if we discovered that Irish players in the NBA averaged around 5 foot 6 every year, for decades on end, wouldn't we suspect double standards?

Whether in basketball or college admissions or elsewhere, are we to believe that the factors we cannot see are always so lopsidedly in favor of one group that it consistently counterbalances the factors that we can see? Give us a break, lady. ■

In the price-conscious airlines market, Midwest Express is carving out a niche of superior service at slightly higher fares.

Niche airline

By Suzanne Oliver

SERVING 25 midwestern cities from hubs in Omaha and Milwaukee, Midwest Express Airlines offers one class of service: business. If you want the cheapest fares, try elsewhere: Midwest Express' fares run slightly over coach on rival carriers. Recently a no-advance-purchase, round-trip coach seat on United Airlines from Milwaukee to New York cost $380, and you'll need to fly through Chicago. By contrast, Midwest Express flies Milwaukee to New York nonstop and charges $594 round-trip.

But business travelers gladly pay the premium. With leather seats two by two, and no center row, Midwest's planes, mostly DC-9s, carry 30% fewer seats than is usual. Midwest's staff serve meals on china with silverware and crystal salt and pepper shakers. Champagne and other wines are complimentary. Midwest spends an average of $10 on each meal, compared with less than $5 for the major airlines. To top it off Midwest is the only carrier flying nonstop from its hubs to 17 cities in its system—no frustrating, time-wasting stopovers.

Midwest started as a company fleet for Kimberly-Clark, whose executives had to make frequent trips to out-of-the-way plants. In 1984 Timothy Hoeksema, now the airline's president, convinced Kimberly-Clark to allow the airline to start commercial service.

Other airlines—among them Air One, Midway Airlines and Braniff Airways—have at one time tried the all-business-class concept, and failed. But Midwest Express has made it work. It has reported a profit each year since 1987. Last year its revenues hit $204 million; net income was $6.7 million.

Its popular flights fly 61% full—in line with industry average—and this combined with its full-price fares gives Midwest Express a yield per revenue passenger mile of 17 cents, compared with 12 cents for the major airlines, according to Avitas Aviation in Reston, Va.

Until now Midwest has been wholly owned by Kimberly-Clark Corp. But last month Kimberly sold 70% of Midwest to public investors. Price: $18 a share, giving the airline a market capitalization of $81 million. All proceeds went to the parent company.

On its own, Midwest Express faces both challenges and opportunities. After the offering it now no longer gets administrative services from its parent. It also lost Kimberly-Clark's high credit rating on aircraft leases. Lease rates will most likely rise, and Midwest Express may pay a one-time payment to lessors of $2.8 million to reflect the new name behind the lease paper. On top of this Midwest will spend as much as $6 million by the end of next year to comply with the Federal Aviation Administration's noise regulations.

Another problem: In July pilots for Midwest Express' commuter line joined the Air Line Pilots Association. It is too early to say how that will affect wages and work rules. And while Midwest Express is profitable and able to handle these extra costs, it's well to remember that its 1993 operating margins, about 10%, remain well below Southwest Air's 18%, though above the industry average of 7%. (Results in 1994 were depressed by the opening of the Omaha hub.)

On the positive side, there is still plenty of room for Midwest to grow in its current bases of Milwaukee and Omaha. As the Chicago suburbs creep farther north, the Milwaukee airport is closer to a greater number of travelers, who might be happy to avoid O'Hare's congestion. To coax these customers north Hoeksema must add more frequent service to more destinations.

He'll have the resources: In sending Midwest Express into the cruel, cold world, Kimberly is sending it debt-free and with $8 million in cash.

President Hoeksema is likely to expand Midwest Express' new Omaha hub, which became profitable in March. Passenger traffic at that airport has increased 26% this year. Citing the stock offering in late September, Hoeksema declined to speak with FORBES, but he hinted at his strategy when he said recently in *Midwest Express* magazine: "When you have an industry with dissatisfied customers, you have a business opportunity."

Midwest Express President Timothy Hoeksema

Dissatisfaction breeds opportunity.

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There are few things more boring than running a self-storage project. And few things as lucrative.

The king of self-storage

By Howard Rudnitsky

Amy Eby

Founder B. Wayne Hughes at one of his Public Storage facilities
He broke even in three months with 35% occupancy.

EVER WONDER who owns those eyesore self-storage buildings that dot the edges of metropolitan areas? There's a chance that B. (for Bradley) Wayne Hughes does. The 62-year-old Hughes runs tens of millions of square feet of those cubbyholes where people store things they don't need right now but haven't room for at home. His Public Storage, Inc. manages some 1,100 self-storage properties totaling 68 million square feet—plus 5 million square feet of office parks. With some 550,000 tenants, Public Storage dwarfs its next-largest competitors, Seattle's Shurgard Storage Centers and Phoenix-based U-Haul International.

Hughes invested $50,000 in 1972. Just 23 years later that investment has been parlayed into a fortune estimated by FORBES at $800 million. Hughes and his family own 100% of Public Storage and hold big chunks of 17 self-storage REITs, including 21.3% of Storage Equities, Inc., the largest such outfit that's publicly traded.

Right now Hughes is consolidating his empire. This autumn Public Storage will merge into Storage Equities, creating the fourth-largest publicly traded REIT in the U.S., with $1.4 billion in market capitalization. In the next year or two Storage Equities, to be renamed Public Storage, will acquire most of the other REITs Hughes controls.

If the public has heard of Wayne Hughes at all, it is as O.J. Simpson's pal; Hughes was an usher when Simpson wed Nicole Brown. Other than that, Hughes has made a modest splash as a major raiser of Thoroughbred racehorses. But it's hard for the media to get excited about a man who owns a lot of self-storage units. Thus the more interesting part of Hughes' story hasn't been told.

In the early 1970s, when he was a real estate syndicator in California, Hughes was driving through Texas. A roadside self-storage warehouse caught his eye. He posed as a customer and was told he'd have to put his name on a waiting list; the warehouse was full.

Why? he wondered. The answer was simple. Americans are constantly on the move: changing jobs, losing them, divorcing, retiring. All events likely to require temporary storing of goods.

Hughes teamed with Kenneth Volk Jr. (now 77 and retired). Getting into the business took some doing. It took about a year to research, buy land, get zoning approval, build and fully lease a self-storage facility. But the rewards were tremendous: Their first self-storage warehouse broke even on a cash basis at 35% occupancy, and it did so

in about three months. Maintenance costs were minimal: When tenants leave, there isn't a lot of cleaning up and repainting required to get ready for the next tenant.

And here's the juicy part: While self-storage construction costs in the early 1970s were 35% to 40% lower than for garden apartments, the storage rents charged per square foot were the same.

Hughes' practiced eye noticed something else: This was a great way to hold close-to-urban-center land for the long haul while earning a nice return on it. He figured you could always bulldoze the storage buildings and replace them with apartments and office buildings. But it rarely came to that: The profits were just too good.

Hughes and Volk managed to raise $650,000 from a thrift and from limited partnership investors, building their first miniwarehouse in 1972 in El Cajon, Calif., along a busy freeway. Hughes put up a large sign: "Private Storage Spaces." Only one customer showed up. He asked if storage was available to the public. Oops! Hughes had the sign changed to read: "Public Storage." The rest is history.

Hughes charges a hefty price to investors who want to go along with him for the ride.

Within two years Hughes and Volk had some 20 miniwarehouses, then tapping the booming market for publicly traded real estate limited partnerships. The high interest rates of the late 1970s and early 1980s stopped most self-storage developers cold because they couldn't afford to borrow, but not Hughes, who raised $3 billion of equity from limited partnerships and in the 1980s through some REITs. Moving into large metropolitan areas, Hughes and Volk clustered their storage facilities, enabling them to save on advertising and property management costs. In the mid-1980s Volk retired and Hughes bought him out.

When real estate collapsed in the late 1980s, the self-storage business went down, too, but not so badly, and when real estate recovered, self-storage recovered faster and further than office properties and apartments. Hughes used some debt, too, but then issued preferred stock, enabling him to reduce the debt.

Today vacancy rates in self-storage projects are just 9% nationwide; this in a business where the break-even cash cost is about 35% to 40%, compared with about 55% to 60% for apartments. According to Hughes, an average 100-square-foot space generates about $60 a month in rent. Against this, operating expenses come to maybe $21—property taxes, payroll, insurance, utilities and marketing. That leaves nearly $40 per unit per month in operating profits, an operating margin of around 65%.

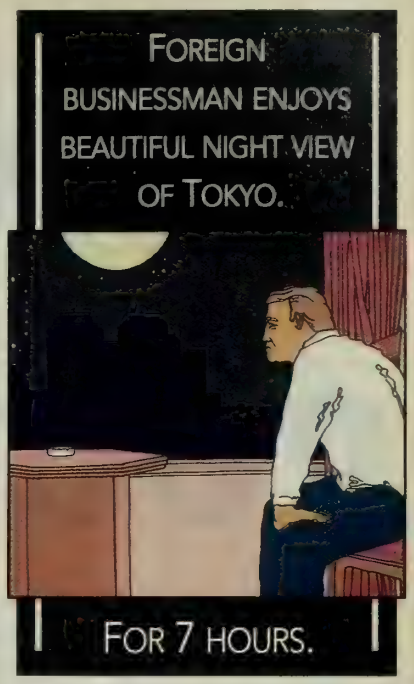
It's not surprising that Hughes, getting in early and operating brilliantly, made a fortune. How have his investors done? Not as well. Since November 1980, when Storage Equities went public at $15, the public shareholders' annual total return has been 11.1%, less than a long-term U.S. Treasury bond did over the same period.

The fact is that Hughes charges a hefty price to investors who want to go along with him for the ride. A competitor, Charles Barbo, founder and chairman of Shurgard Storage Centers, says Hughes once chided him for leaving too much money on the table for his investors. Hughes does not deny he said that.

In the last three years alone his Public Storage has received $31 million in management and advisory fees from Storage Equities; probably 60% of that is profit for Hughes.

Hughes argues that with the merger, Storage Equities management expenses will disappear and thus resolve any potential conflict of interest. Maybe. REIT analyst Michael Kirby, partner in Green Street Advisors, of Newport Beach, Calif., thinks the merger simply capitalizes the conflict of interest. He says Storage Equity investors are paying Hughes too much for the management company's income and assets. Says Kirby: "In the private market, management companies trade hands for five to six times cash flow. In this deal it looks like Storage Equity investors could pay about seven to eight times."

We never said Wayne Hughes was a public benefactor. We just said he was one sharp real estate operator. ■



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Arrogance goeth before

By Thomas Jaffe

ANDREW NEWMAN used to pride himself on the brevity of Edison Brothers Stores, Inc.'s annual shareholders meeting. A regular in attendance recalls: "He'd look at his watch and say, 'Last year it took 20 minutes; I think we beat that this year.' "

Andy Newman figured he could afford to be contemptuous of the people who were, in theory, his owners. This was, really, a family company. Newman had succeeded his uncle, Julian Edison, as chairman of the $1.5 billion (sales) retailer in 1987. And Andy was a grandson of one of the five Edison brothers—sons of an immigrant Latvian peddler—who founded the company 73 years ago. His family, directly and through trusts, owns about one-third of Edison Brothers' 22 million shares. Why should he, himself a Harvard M.B.A., waste time with folks who only owned a couple of hundred shares?

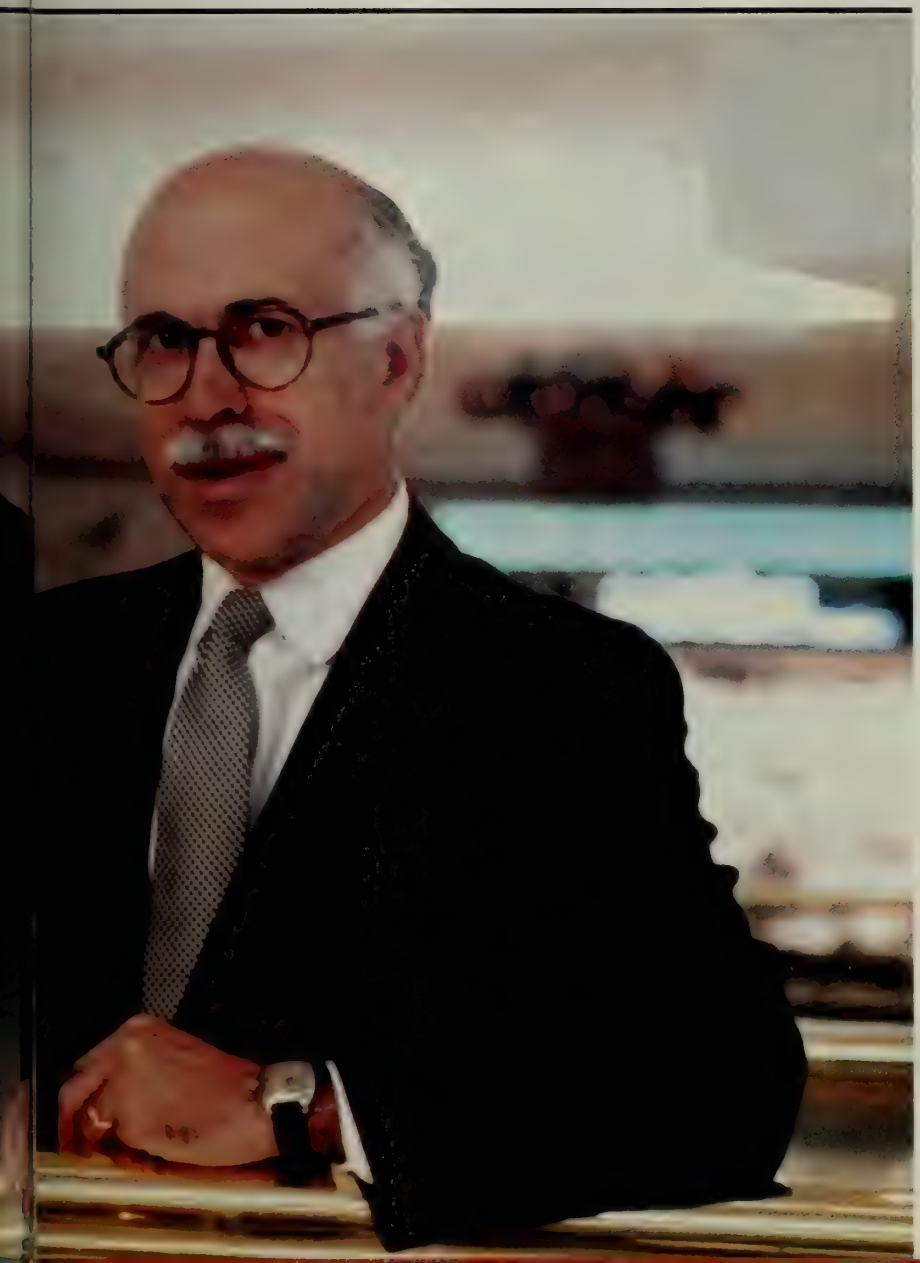
Look what Andy Newman seemingly had accomplished: A year before he became boss, Edison lost $21 million. By the fiscal year ended Jan. 31, 1993, Edison earned a record $70 million. Soon after, its NYSE-listed stock nearly hit 50. That gave Edison a market value of around $1.1 billion and made the family stake worth about $325 million. That January, Newman raised the dividend to a $1.24-a-share annual rate, 17% above its level just two years before.

And then everything fell apart. The following year Edison's earnings

While Andy Newman was taking bows for his performance as Edison Brothers' chief executive, in the real world the company was going to hell.

e fall

Former Edison chairman Andrew Newman and former president Martin Sneider
They expanded right into the teeth of the downturn.



dropped 70%, to $21 million. While it reported almost as much profit the next year, ended this past January, a close look showed the situation was grim. The reversal of countervailing duties, a gain on an investment, some 60 foreign stores and a small restaurant/entertainment subsidiary accounted for about $23 million of net income. Edison's nearly 700 shoe stores also turned in a respectable profit. But the company's 2,000-odd U.S. apparel stores were swimming in red ink. To make matters worse, during this disintegration Edison managed its cash flow badly and the balance sheet deteriorated.

In June the Edison dividend was cut 65%. During the six months through July, Edison lost $18.7 million. Plus, it took a $13.4 million reserve for the closing of at least 250 apparel stores by the end of 1996. In August the dividend was omitted. Edison's latest losses also put it in violation of loan covenants, so its $225 million of long-term debt was reclassified as short term and added to the $131 million of short debt already on the books. The factors balked. Until Edison came to terms with its primary lenders, these specialized lenders to the garment trade refused to finance merchandise meant for Edison.

Early last month the stock was at 3, representing a staggering loss of roughly $1 billion in market value in just 2½ years.

In April, before the summer's carnage, Andrew Newman, 51, resigned. "There are other things to do in life," he explains. He still owns nearly 4% of the company's shares, which even with Edison stock recently up a few points are now worth only about $5 million, not $40 million. Says he: "I feel the same as any other stockholder does." Terrible.

What had Andrew Newman done wrong? Gotten cocky and overexpanded in the expectation that the good times would last forever.

St. Louis-based Edison Brothers appeared on its way to becoming one of the nation's top specialty retailers. It boasted a formidable portfolio of chains, with more than 2,700 stores nationwide.

In menswear, its main business, there's J. Riggings, JW/Jeans West,

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VISION. Companies that have it possess the insight and inherent strength to create fundamental change. ▲ The kind of change that has enabled Rockwell to emerge as a powerful commercial force over the last ten years. ▲ This vision has changed our present sales mix to over 70 percent commercial and international business. It's made us a rapidly growing force in markets ranging from telecommunications and automotive to industrial automation – while maintaining our leadership positions in aerospace and defense. And today, it's driving us to be the

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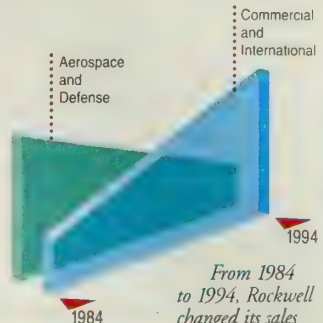

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Michael L. Abramson

Edison Chairman Alan Miller with Chief Financial Officer David Cooper Jr. **Can they undo the mistakes of "the Andy and Marty party?"**

Oaktree, Zeidler & Zeidler/Webster, and Repp Ltd. Big & Tall, all serving different market niches. The Repp Ltd. stores, for instance, cater to men who are 6 foot 3 and taller, or with waists 44 inches and larger. Bakers/Leeds and Wild Pair sell moderately priced women's shoes. And 5-7-9 carries clothes for small-size teenage girls.

Suddenly the customers, while they didn't exactly go on strike, got very fussy. Even onetime stars like the Gap and the Limited are struggling. As a mall-based retailer, Edison faces the problems of too many malls and too many stores. If Andy Newman hadn't been so arrogant, he might have understood this, but he kept expanding right into the teeth of the downturn.

Andy Newman, to be sure, had good reasons for being confident. Look what he had accomplished. When Newman took over Edison in 1987 the company was mainly a footwear retailer. He tapped Martin Sneider, a fellow Harvard M.B.A. up from the Edison ranks, to be president, his number two.

"Edison aggressively went into malls around the country when it should have been more discreet about which concepts to expand into which markets."

Newman and Sneider—known around St. Louis as "the Andy and Marty party"—sold laggard shoe and womenswear chains, consolidated others and targeted menswear for growth. Before long, a slimmed-down footwear business was generating steady cash flow, which they reinvested in men's chains like Oaktree and J. Riggings.

In the late Eighties and early Nineties, Oaktree, which carried flashy hip-hop-style clothes then popular among young black men, cleaned up. Plus, Newman and Sneider had turned around J. Riggings, in traditional men's clothes, and it was doing well. The result: four straight years of solid earnings.

Capital spending for the period totaled over $310 million, nearly 50% more than Edison spent in the preceding four years. Newman defends his strategy: "It's unrealistic to expect a specialty retailer adjusting to an overstored environment to turn on a dime

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overnight. It takes a period of several years to adapt to a new reality."

But is it unrealistic to expect a highly paid executive *(see box, p. 136)* to look down the road and realize that the curve doesn't go straight up? After four years of prosperity, Newman should have realized that a slowdown was likely.

At any rate, Andy Newman is gone as an officer, though he's still a director. His successor is Alan Miller, 42, former boss of footwear and the first non-Edison to be chairman. Helping Miller is a hard-nosed chief financial officer, David Cooper Jr., 39, who joined Edison last fall with nine years under his belt as a finance executive in billionaire David Murdock's empire.

David Cooper agrees that Newman's expansion was often ill-considered. "Edison," Cooper says, "aggressively went into malls around the country when it should have been more discreet about which concepts to expand into which markets. Oaktree did well on the coasts and in fashion centers, but not in middle markets like Des Moines. J. Riggings worked well precisely in those kinds of middle markets, but was overexpanded into big cities, where occupancy is more expensive."

"Specialty retailing is now a mess. The August comps were the ugliest I've ever seen. I haven't heard one word other than that business is lousy and is expected to stay that way over Christmas."

It also seems that Newman, perhaps a bit bored selling shoes and menswear, got stars in his eyes. According to estimates, he invested at least $50 million in about 130 mall video arcades and a handful of bigger setups named Exhilarama. The idea was to attract younger customers killing time in between shopping. But mall traffic died, and home computer games now rule. In five years these video arcades have made only a marginal profit while soaking up liquidity.

"The business doesn't have a bright future at the company," says Alan Miller.

In his first months in the executive suite, Miller was busy keeping the ship from sinking. He and Cooper tried desperately to refinance $300 million of long-term debt and sell $300 million of new notes. No soap, said the lenders; ditto Wall Street. By August Edison was on the brink.

After several frantic weeks hammering out a standstill with lenders, here's where Miller and Cooper now stand:

Edison's loan covenants have been modified; a combined $130 million of debt due now and in December gets rolled forward; and Edison made a $5.6 million interest payment which had been deferred in August. It also paid a one-time "forbearance fee" of nearly $5 million, and after Christmas will pay its lenders $25 million of principal. In addition, the interest rate on its $356 million total debt, previously around 7½%, will go up to roughly 9½%.

Finally, a new $75 million secured line of short-term credit will allow Edison to order inventory for the Christmas selling season. That has gotten the factors off its back. While most of Edison's inventory comes from overseas, to have gone into Christmas unable to stock its stores with U.S.-made goods would have been disastrous.

What must Alan Miller now do to save Edison?

"We can't control the retail environment," he says. "All we can control is how we execute." Miller promises better merchandising, tighter inventories and the like. So far he's made management changes at five chains, and in the coming months will be watching his stores like a hawk.

"I'm looking at which ones make sense where, closing out the bottom

Oaktree store in Jersey City, N.J.
When hip-hop fashion stopped being trendy, this chain flopped.

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Big & Tall store
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One of Andy Newman's better ideas. If only the others had worked as well.

10% to 20% to improve the profitability of the remaining group. We don't have to spend a lot of money to improve our profits. There's more leverage to be gained over the short and intermediate term through existing stores—a 1% increase in comp store sales, a 1% increase in gross margins—than by expansion."

Over half the 250 stores Miller plans to get rid of are Oaktrees, which should bring it down to 130 or so units. But there will be more. Retailing analyst Philip Abbenhaus, of St. Louis' Stifel, Nicolaus & Co., says Edison probably needs to shed as many as 750 stores.

But what can you get for a stinker chain? The Neiman Marcus Group recently sold Contempo Casuals, a 239-store moneyloser, to Wet Seal for just $1 million and assumption of liabilities. Nor can you just outright shut 'em. It's not easy to get out of a lot of leases fast. Mall owners won't let you unless they've got someone else ready to come in. And with mall-based retailing the pits, who wants in?

Edison might get well, and smaller, a lot quicker through a bankruptcy reorganization. That would enable it to get out of bad leases, postpone paying creditors and finance inventories with new money borrowed under court protection. But bankruptcy would be a terrible blow to a proud family like the Edisons.

The grace that Edison's lenders have granted ends Feb. 29, 1996, by which time revenues for the make-or-break Christmas season will be in. If the results are bad, Chapter 11 could be around the corner. If Christmas is strong for Edison, refinancing may be possible short of shareholders' equity taking a huge hit.

"We can't control the retail environment. All we can control is how we execute."

Alan Miller knows he's in a tight spot. "Specialty retailing is now a mess," he says grimly. "The industry's comparative sales for August were the ugliest I've ever seen. haven't heard one word from anyor out there other than that business lousy and is expected to stay that wa over Christmas."

There's just one bright spot fc Edison shareholders. Newman als diverted some capital spending int Dave & Buster's, Inc., a restau rant/entertainment outfit that Edi son acquired 80% of in Decembe 1989. It became a winner, earnin $2.4 million last year on sales of $4 million. Besides its original two loca tions in Dallas, there are now units i Philadelphia, Houston and Atlanta with two more going up in Chicago These complexes run 30,000 tc 70,000 square feet in size and featur everything from carnival-style game to virtual reality systems.

By many accounts, Newman spen much of his time in recent years or this business. Trouble is, each Dave & Buster's costs about $11.5 million tc build and open, and before long the operation became a drain on Edison's resources. So in June Edison spun it off to shareholders. Recently trading at 15½ over-the-counter, Dave & Buster's has a market value of $81 million.

In the spinoff, Andy Newman went along as chairman of Dave & Buster's. Judging from the past, he'll be happier there than he was selling shoes and haberdashery. And maybe he'll be a bit more humble with his shareholders now.

Taking care of number one

IT'S THE SORT of situation that makes ordinary investors cynical and persuades them that executives have their hands in the cookie jar. While Edison Brothers was starting to fall apart in 1993, Chairman Andrew Newman and his sidekick, fellow Harvard M.B.A. Martin Sneider, got themselves 9% pay raises, to $1,014,589 each. Though they took a 12% pay cut in 1994, when the company all but collapsed this year they did not offer to give any more of it back.

In 1993 Newman and Sneider also collected early $3.2 million and $3.4 million, respectively, of postretirement benefits. A coming change in the tax laws would have barred the company after that year from taking a deduction on the payout.

Maybe Marty Sneider can explain all this to his students. He's an adjunct professor at the business school of St. Louis' Washington University, teaching a course this semester on, what else, retail management. –T.J.

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The martial arts business is booming. But its popularity has more to do with straightening kids out than with teaching self-defense.

Let's talk to the master

By Tim W. Ferguson

YOUR KID IS SASSY, disrespectful.

Your kid doesn't concentrate or do well in school.

Your kid is insecure and compensates with aggression.

Your kid just isn't like the Asian children in town.

Your kid is on his way to martial arts class.

By industry counts, enrollment in studios specializing in Eastern martial arts pursuits such as karate and taekwondo has about doubled over the last five years. Since the late 1980s preteens have accounted for at least 40% of these choreographed kicks and jabs. In the U.S. commercialized instruction now may be a $1.5 billion business, and, according to one survey of new enterprises, it was second only to computer networking services in its 1994 growth rate.

In neighborhoods poor, wealthy and in between, the power of example is at work. The achievements of ethnic-Asian offspring send other families hunting for the secret and thinking it might be found in the manner of martial arts masters. Is there something there that explains the Asian kids' success in schools, the success of the Asian companies in trade?

At Y.H. Park Taekwondo on New York's Long Island, general manager Kevin Schuck says many parents refer to the Asian star at school, who "seems to be doing everything—he's the top flutist, the top soccer player, has the top grades, and they see he goes to martial arts on top of it."

Of course, self-defense remains a major draw for these establishments, but particularly with young students the emphasis is on attitude and comportment. Be humble but resolute. Obey and respect. Maintain order and balance in all facets of life.

A July 1995 poll by the Wirthlin Group, a survey firm, asked respondents to rank 17 factors contributing to "the problems today with American families." Cited second only to the availability of drugs was "parents' failure to discipline and teach respect." Earlier surveys established that vast majorities in the U.S. found Japan to have an edge in this aspect of upbringing.

Luckily for American kids, the martial arts cure isn't a sentence to eat broccoli. They gobble it up. Media have been plugging the pastime ever since the *Kung Fu* television series with David Carradine in the 1970s. There followed movies with the Karate Kid, the Teenage Mutant Ninja Turtles and the Mighty Morphin Power Rangers, and lately the film *Mortal Kombat.*

It's a sort of perfect match: Children "come to it because it's cool, and the parents see it as a silver bullet," says Jeff Schechter, who once worked with a Los Angeles-based taekwondo master.

An upgrading of the training studios from the sweaty, stuffy and ill-lit rooms of days past has improved their image. It has also helped entice more females to participate. They're typically a fifth or more of a class.

Although the judo (or jujitsu) practitioners continue to stress it, the new wave of operators downplay the rough-and-tumble. Sang Lee came to the U.S. from South Korea in 1975, coached this country's demonstration team in taekwondo at the 1988 Olympics and now teaches it commercially in Colorado Springs. Taekwondo, with its emphasis on kicks, is potentially the most deadly of the arts, but Sang Lee says it can be taught with minimal pain. In judo, where throwing an opponent is common, "you have to learn to fall down, and that is difficult for Americans."

Two or three weekly sessions consist of stretching, arm and leg movements on command (with lots of

Tom Lamarque

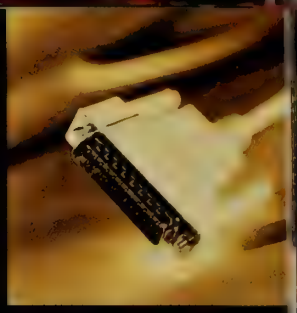
Master Mark Glazier
His firm's stock needs a kick.

shouts exchanged), deflection of attack and, as students get better and older, one-on-one sparring. Rapt attention is expected, even from tykes. There is the ritual bowing, and teachers are always addressed as "sir" or an equivalent term. Even an established master such as Sang Lee defers to his own instructor, still alive in Korea.

Respecting age is incumbent on the martial arts youngster away from class as well. Most studios have rules to follow at home, including speaking properly to adults and not interrupting them, being neat and clean, doing homework and being kind ("Children will not use any karate moves on their family members or friends," one handbill advises). Courtesy and humility, foreign concepts to many American youths, are in. Smoking, drinking and drugs are out. Those who stray off course may find their uniformed rank reduced. What might seem corny or harsh coming from mom or dad (if one is around) is hip when issued by a martial arts master.

One recent afternoon at J. Lee Taekwondo Center in Hermosa Beach, Calif., half a dozen parents watch the drill. As elsewhere in the country, broken homes are almost the norm. The grandmother of a 5-year-old, covering until her daughter shows up, says the fatherless boy and his cohorts relate well to Master Lee. "They have a tendency to listen to him much more than they do to us," she admits. Nearby, Cruz Nobleza, a hairstylist, credits the instructor with a "180-degree turn" in her son, Evan Barnes, 8. His sister, Rachel, 9, has joined up.

Okay, so the customers are happy. How are the businesses doing? About 17,000 of them in the U.S. and Canada are on a mailing list of Andrew Wood, president and licenser of the



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J. Lee counsels at his Taekwondo Center
"They listen to him more than to us."

California-based Martial Arts America chain. That's up from 9,000 five years ago.

But numbers can deceive. "There's a stigma against making money in our business," says Wood. The typical outfit has 65 to 70 core students, he says, and barely gets by. At 150 students it is viable, but lots of storefront startups disappear as quickly as you can pull up a mat.

Successful operations can have several hundred students, and some have opened multiple sites. Y.H. Park's chain has grown to seven locations in the New York area with a reported enrollment of 3,500. Of similar size is Master Glazier's Karate International, named for President Mark Glazier. The New Jersey-based company raised $7.2 million in a 1993 public offering (Nasdaq symbol: KICK), but its share price, 3⅜ late last year, ha tumbled to ⅜ on tiny volume. The company blames the bust of its marke maker, but it lost $517,000 in first half 1995, and Glazier himself sold 1.5 million shares in January and February. Meanwhile, the World Traditional Taekwondo Union, based in Little Rock, Ark., and claiming Bill Clinton as a satisfied customer, is currently in an initial offering.

Greg Silva has been able to capitalize on this fragmented industry. Silva says his United Professionals, Inc. in Coral Springs, Fla. collected $18 million last year handling the billing for 480 schools. (He also has his own East West Karate, one of the biggest in the U.S., with 1,200 students.) Educational Funding Co. of Chevy Chase, Md. is larger still in the billing business.

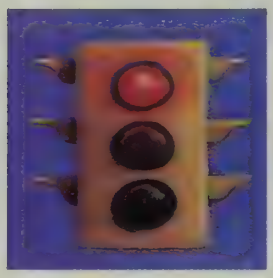
The student must have a uniform (cost, $30 to $100), and Century Martial Art Supply of Midwest City, Okla. says it grosses $40 million supplying up to half the U.S. market with the *do-bahk* duds and other equipment. Macho Products of Florida is second biggest in that market.

If Americans are thinking of martial arts more in terms of personal development than of fighting, there is, inevitably, a spiritual side to the business. Some parents try to avoid schools they think may introduce their youngsters to Eastern mysticism. Paul Hetrick, a vice president for broadcaster James Dobson's Focus on the Family organization, says his 17-year-old son has been taught martial arts by a self-identified Christian. In Los Angeles, primarily Jews patronize Torah Dojo.

John J. Donohue, an anthropologist at the State University of New York at Morrisville, writes in his 1994 book *Warrior Dreams* that martial arts rely on "symbolic transmittal of important psychic themes." Religion, in other words. With all the discord in American families, however, that's academic for many parents. They've discovered a voice of authority and that is what they—actually, their kids—most need.

"If we have a problem at home," says Cruz Nobleza in Hermosa Beach, "I say, 'Should we talk to Master about this?' All of a sudden the matter is resolved."

A MISSISSIPPI TRAFFIC JAM



"One of the things that bothered me where I used to live was the congestion. There were a lot of people living and working in a small area, so roads were crowded, there were many accidents, and getting to work was very frustrating. Fortunately, I relocated to Mississippi. Now I live twelve minutes from my office, and I consider a traffic jam being fourth in line at a red light. It's a nice change. There's a lot to be said about quality of life. You can find that quality here."

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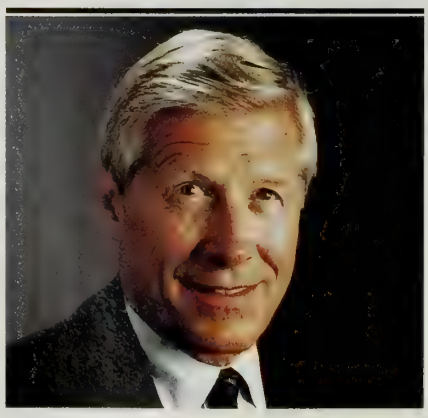
With carmakers demanding more of suppliers, Edgar Prince's Prince Corp., as a private company, probably won't survive his recent death.

Life after death

By Marcia Berss

Michael L. Abramson

Manufacturing at Prince Corp. (left); the late Edgar Prince **A fortune that started with the lighted-mirror car visor.**



Courtesy Prince Corp.

AFTER FINISHING LUNCH on Mar. 2, 63-year-old Edgar Prince left the executive dining room at his Holland, Mich.-based business and took the elevator up to his office. When the elevator doors opened, Prince was dead on the floor, felled by a massive heart attack.

Unless you are in the automobile business, this is probably the first time you've heard of Edgar Prince, dead or alive, but if you drive a luxury-class car, you are almost certainly using some of his products. An engineer who initially worked with die-casting equipment, Prince founded Prince Corp. in 1964 to produce lighted mirrors for car visors. Today the company is a $350 million (estimated revenues) maker of handy gadgets for the interiors of automobiles. Over the years Prince created dashboard cup holders, movable armrests, illuminated visor mirrors that automatically adjust to external lighting, a garage door opener button mounted on a sun visor. Last month Prince teamed with paging company Mobile Telecommunications Technologies Co. to produce a security and communications system for cars. "Prince is a role model supplier," says David Swietlik, procurement manager for large cars at Chrysler Corp. "On a scale of 1 to 10, I'd rate 'em a 9 or 9½."

The carmakers appreciated Prince for his willingness to back his gadgets with his own development money. With a product prototype in hand, Prince's salesmen would put it in some cars and then ask the carmakers' representatives to try it for the weekend. Says Chrysler's Swietlik: "Prince comes in saying, 'You don't know you want this yet.' "

Will this unusual private company survive its founder? Control of Prince Corp. went to his widow, Elsa, and four grown children, but none of the children work for Prince Corp. The eldest, 37-year-old Betsy, is the Republican National Committeewoman from Michigan and is married to Dick DeVos Jr., son of Amway Corp.'s billionaire cofounder Richard DeVos.

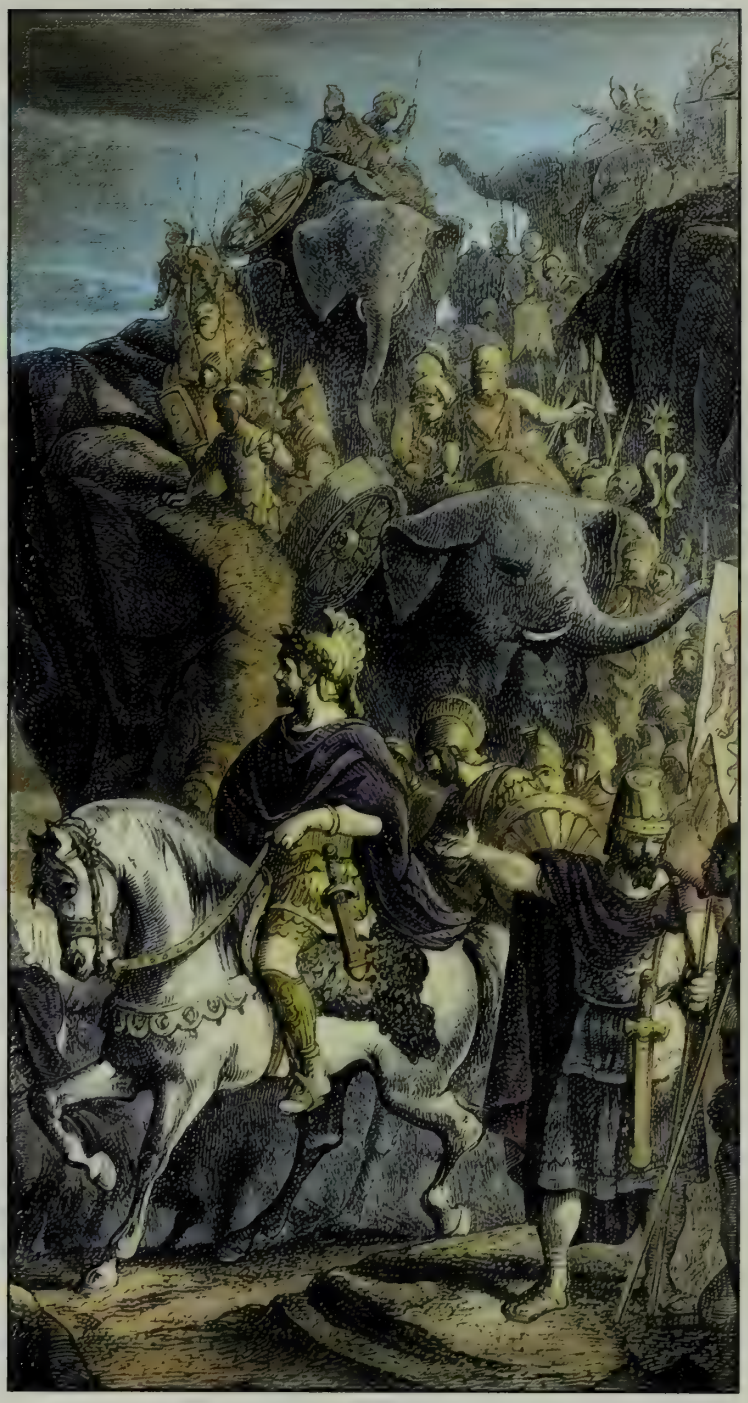
Happily for the heirs and for the company, Ed Prince believed in delegation of authority. For about the past decade Prince Corp. has been run day-to-day by John Spoelhof, 55, who has been well trained in the Prince way of doing business.

But Spoelhof and the heirs face a fairly imminent decision. While the company is in splendid financial shape and owes hardly a penny—Ed Prince hated to be beholden to creditors—it may need lots of money soon. Increasingly, U.S. carmakers expect their suppliers to follow them overseas, and Prince Corp., solely a U.S. producer at present, will probably have to expand abroad. Too, automakers want suppliers to provide not merely parts but the entire interior of a car. The family also faces the unpleasant job of paying nearly confiscatory estate taxes. This leaves Spoelhof and the heirs just three choices: Borrow a huge amount of money, go public or sell out.

Of the three, the latter looks like the quickest solution and perhaps, from the family's point of view, the easiest and most lucrative. That's the route Prince's competitor, Automotive Industries, recently took. In July, that $594 million (sales) outfit was bought by car seat maker Lear Seating for $626 million. Prince would probably fetch more: Automotive Industries' operating margins were 13%, and industry men say Prince does better than 15%. In short, Prince Corp., as an independent entity, may not long survive its founder.

THE ALPS IN WINTER FORM AN IMPENETRABLE BARRIER.

Roman Military Tactician, 218 B.C.



THE ROMANS HAD ASSUMED THAT THEY /ERE SAFELY PROTECTED BY THE COLOSSAL IOUNTAIN RANGE TO THE NORTH.

SO IMAGINE THEIR SURPRISE WHEN IANNIBAL, PULLING OFF POSSIBLY THE REATEST COUP IN MILITARY HISTORY, SWEPT OWN TO DEFEAT THEM AT TREBIA IN 218BC.

MOVING ON IN HISTORY, IN 1970 IT WAS /RITTEN IN STONE THAT A SMALL NUMBER OF WELL-ESTABLISHED MANUFACTURERS HELD AN NSHAKEABLE GRIP ON THE WORLD'S AIRCRAFT NDUSTRY. ONCE AGAIN, HOWEVER, A HIGHLY IOTIVATED, SINGLE-MINDED CHALLENGER WAS /AITING IN THE WINGS.

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AIRBUS INDUSTRIE
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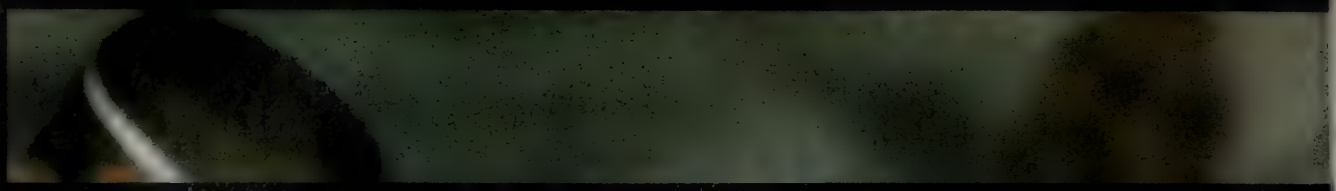
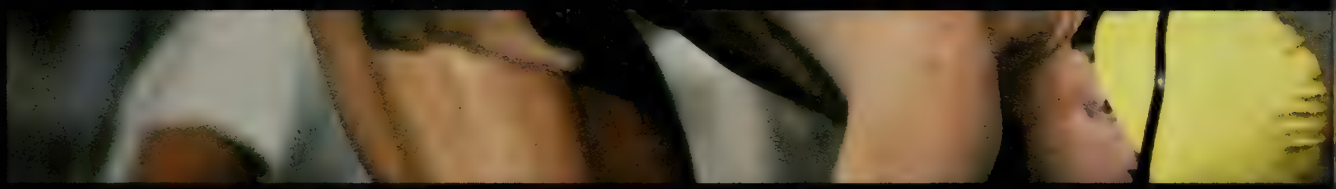


You're on the brink. About to plunge

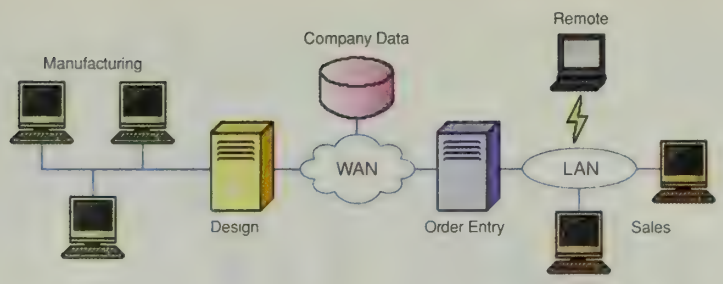
into new ways of doing business.



You've got a few butterflies.

And plenty of questions.

Fortunately, thousands have done it before.



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At 43, Jack Tate scrapped his successful retailing format for a bold new concept. On that gutsy decision he has built Baby Superstore and a near half-billion-dollar fortune.

Catering to indulgent parents

By Fleming Meeks

WHEN JACK TATE was growing up, his father, Jack Sr., and Uncle George ran a furniture store in downtown Greenville, S.C. But young Jack had bigger ambitions. "My father and I both decided that I was going to be a lawyer," recalls Tate. "Dad thought that retailers didn't make a whole lot of money."

Dad was wrong. Today Jack Tate, 51, is chief executive of Duncan, S.C.-based Baby Superstore, Inc., with 48 stores, mostly in the Southeast. Baby Superstore is a sort of Home Depot for new and expectant mothers—a niche market, but a lucrative one. Its depot-style stores, some as large as 42,000 square feet, are jammed to the

Baby Superstore founder and Chief Executive Jack Tate
"I'm big on delayed gratification."

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Baby Superstore President Linda Robertson
From a $55-a-week salary to a $50 million stake in the company.

rafters with cribs, strollers, clothing and bedding. Marcia Aaron, a retailing analyst at Alex. Brown & Sons, expects the chain to bring in $309 million in revenues this year, earning $14 million. Tate, who started the company in 1970 and took it public a year ago, owns stock and options on 47% of the company, worth over $450 million.

Tate, dressed in a blue Baby Superstore polo shirt, khaki pants and Nike sneakers, looks more like a high school gym coach than a near demi-billionaire. But first impressions are misleading. "I remember feeling driven when I was 6 years old," says Tate, raising his voice over the din of his Learjet in the middle of a 24-hour whirlwind visit to stores in Greenville, Cincinnati, Denver and Fort Lauderdale. "I can't describe it. It was just a feeling that I was supposed to *do* something."

One of the first things he did was to get admitted to Harvard Law School after graduating from the University of North Carolina in 1966. "I was told when I started law school that by the third year I would start thinking and feeling like a lawyer," Tate says. But the magic never enveloped him. He was put off by the intellectual arrogance of his professors. "Instead I started thinking and feeling I wanted to start a business."

In March 1969, while still in law school, he went shopping to buy furniture and supplies for his 9-month-old daughter and had a brainstorm. Why not put everything a baby needed under a single roof? He wrote out the name Carolina Baby on a legal pad. "It hit me with a force that I still don't understand," he says.

He finished law school that year and hung out his shingle in Greenville, with Linda Robertson, then 20, as his part-time legal secretary at a salary of $55 a week. But his mind wasn't on the law. It was on that retailing brainstorm.

Robertson is now 46, president of Baby Superstore and owner of over $50 million worth of its stock. She recalls: "Probably the first week, I discovered he was doing this Carolina Baby thing. Jack's enthusiasm is real infectious."

Some local bankers thought so, too. Tate raised $200,000 in bank loans and opened Carolina Baby in Greenville in March 1971, focusing on furniture, clothing and toys for newborns through age 12. A month later he shut down the law practice in order to concentrate on the baby business.

Two years later came the second store, in Easley, S.C., and slow expansion began through the Carolinas. Tate and Robertson experimented with new formats and narrowed the focus to younger and younger children as they went along. "We tried mall stores," recalls Robertson. "But the real estate was too expensive." When those leases expired, they shut down the stores and moved into bigger, cheaper locations in strip shopping centers. By 1987 the company

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Shoppers at Baby Superstore's Denver store **A first baby, what with crib, stroller, changing table and car seat, can easily require $2,000 worth of equipment.**

had 26 stores with an average size of 6,000 square feet. Sales hit $14.5 million.

That same year they decided to test a superstore format with a 20,000-square-foot store in Marietta, Ga. Sales per square foot jumped 50%. Recalls Tate: "I was 43 years old and I realized I was going to have to close every store I had, because *this* was going to work."

Over the next five years Tate opened 26 new stores under the Baby Superstore name, pushing sales to $63 million. In 1992 Tate took a page from another large-format retailer—Home Depot. Out went the interior walls, ceiling and stockroom. In came wide aisles and goods stacked floor to ceiling. Juvenile furniture, for example, is shown off in four broad 75-foot aisles, with cherry-finish cribs, dressers, changing tables and armoires in one aisle, white in the next, and oak and maple in the next two.

The superstores were just that. In two years sales nearly tripled, to $175 million. This year profits are expected to jump to $14 million (72 cents a share) on $309 million in sales. While gross margins have fallen to 29% from 39% eight years ago, net margins, at 4.1%, have better than doubled. The superstore combination of huge stock and low prices really works.

Tate and Robertson knew that they had a winner, but they were in no hurry to cash in on the public market. "I may be impetuous about a lot of things," Tate says, "but I'm big on delayed gratification where Baby Superstore is concerned."

But then Tate met Kenneth Langone (FORBES, *Nov. 22, 1993*), who runs Invemed Associates, Inc., a 15-person New York investment banking firm. Langone doesn't do lots of deals, but the ones he does are real peaches. He took Ross Perot's Electronic Data Systems public in 1968, and raised $2 million to help found Home Depot in 1978.

Recalls Langone: "I met Jack Tate at 6:30 in the morning in a motel room in Greensboro. We liked each other immediately, and almost immediately we agreed to start the process of going public." Tate had only one condition: Kenneth Langone, a 16-year veteran of the Home Depot board, had to become a Baby Superstore director.

Langone is a master at raising money. In September of last year Invemed and CS First Boston took Baby Super-

store public at $12 a share, adjusted for a split, raising $33 million for the company. On the first day of trading the shares hit 25.

This past March Baby Superstore did a secondary offering at $38.25, raising another $29 million, and in late September went back to the well once again, with a $100 million offer of convertible debentures. Baby Superstore doesn't desperately need the money, but, says Tate, "We want to be sure we're not constrained for capital."

The fresh capital will enable Tate to accelerate his new store openings before competitors can match him. By the end of the year Tate plans to add 16 new Baby Superstores, with 25 or so more next year in markets as far afield as metropolitan New York, Chicago and Phoenix. By 1998 Tate predicts that Baby Superstore will finish the year with some 145 stores around the country and revenues of $1 billion.

Demographics are on his side. The average annual number of births in recent years—4 million—is not that much greater than it was in the early 1950s. But the number of first births has jumped dramatically—from 1.1 million in 1950 to 1.7 million in 1990.

"I was told I would start thinking and feeling like a lawyer. Instead I started thinking and feeling I wanted to start a business."

And first-time expectant mothers are Baby Superstore's bread and butter. A first baby, what with crib, stroller, changing table and car seat, can easily require $2,000 worth of equipment. (The second baby is cheaper because the capital goods are already in place.) Throw in clothing, diapers, formula and the like, and *American Baby* magazine estimates the market for infants, newborn through age 1, is $13 billion a year.

Tate no longer has the field to himself. Over the past three years, two Baby Superstore competitors, KidSource and Lil' Things, have popped up with venture capital backing of $15 million to $25 million each. When Lil' Things opened its first store in Dallas in 1993, Tate didn't flinch. He opened a Baby Superstore across the street on the same day. And last year Tate opened a Baby Superstore just up the road from a KidSource in Fort Lauderdale.

So far, the battle looks one-sided. Last year Lil' Things, which has 19 stores, lost $8.9 million on sales of $27 million. KidSource, a startup with just three stores, is rumored to be hemorrhaging badly.

Even Toys "R" Us, with nearly $9 billion in sales and 618 stores nationwide, is getting nervous. In late September it announced it will enter the baby market, opening five Babies "R" Us stores in 1996. Is Tate worried? "People don't think I'm entirely rational about competition," he laughs, warming to the new fight. "But this exhilarates us; it turns us on."

To boost profits, Tate has begun developing the Baby Superstore brand, primarily in clothing. Using many of the same Asian contract manufacturers as Baby Gap, Baby Superstore prices its store-brand merchandise very competitively—for example, a toddler's denim shirt and jeans, at $20, cost half what Baby Gap charges for a comparable outfit. With gross margins of 40% to 50%, Tate expects the Baby Superstore brand, which should bring in $50 million next year, will allow him to further reduce prices in highly competitive areas like cribs and diapers.

The force Jack Tate speaks about that hit him many years ago and pushed him into building the business is still very much with him. He works constantly, and though he cashed out $35 million in Baby Superstore stock in public offerings, he lives quite simply. His home is a two-bedroom A-frame house near Pumpkintown, S.C., a remote mountain town just 12 minutes from Greenville.

Tate, who's now divorced, lives alone with two pet goats and a pet sheep. His two extravagances: a Bell LongRanger IV helicopter and his Learjet, both of which he bought personally and maintains out of his own pocket. Without them, he says, "I wouldn't be able to get back home much at all."

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Insurance companies are selling junk bonds, but they don't call them junk; they call them "surplus." Don't be fooled.

Disguised junk bonds

By Carolyn T. Geer

MUTUAL LIFE INSURANCE CO. of New York is a giant in the insurance business, but almost $1 billion of foreclosed real estate was straining its finances.

MONY partly relieved the capital crunch by selling $125 million in 30-year debt at a private placement in August 1994. The proceeds from the sale showed up as assets on MONY's balance sheet, but nowhere did the notes appear as indebtedness at the insurer. They boosted MONY's capital to $895 million and raised its ratio of capital to assets to 9.1%, the highest it had been in more than 20 years.

How did MONY manage to borrow money without booking a debt? It sold what are known as "surplus" notes. A surplus note is a debt instrument that an insurance company may account for as equity on its balance sheet. Although surplus notes are treated as equity under insurance accounting rules, they are considered debt for tax purposes, which makes the interest tax-deductible.

Joseph Belth, professor emeritus of insurance at Indiana University and editor of *The Insurance Forum*, an industry newsletter, calls them "monstrosities."

Surplus notes were invented to give equity-poor mutual insurance companies, owned by policyholders rather than stockholders, a way of getting additional capital. In time the laws were changed to allow stockholder-owned insurance companies to issue them as well. By 1993 fee-hungry investment bankers figured how to sell them to institutional investors through private placements.

In the past two years at least 15 insurance companies have sold a total of $6 billion of surplus notes in the private placement market *(see chart)*. What began as a trickle may soon become a flood. Prudential Insurance Co., which started the surplus note trend when it issued $300 million of surplus notes in April 1993, issued another $600 million in July of this year. Chase Manhattan Bank is planning to bundle surplus notes of small and medium-size mutual insurers, which it will then sell to institutional investors.

These junk bonds—that is what they really are, despite the fact that most have investment-grade ratings—have not served investors well so far. In the past two years their prices have fallen relative to prices of comparable U.S. Treasury bonds, while prices of high-grade corporate bonds have climbed relative to the prices of Treasurys.

An early buyer of surplus notes was the IDS Bond Fund, which sank $30 million—1% of its assets—into three surplus note issues. IDS put $8 million into 30-year, 7.5% notes issued by Nationwide Insurance last year; the notes are now trading around $7.5 million. Says Fred Quirsfeld, manager of the fund: "Buyers should have been compensated more; that's one of the things that has become clear after the fact."

An insurer may not be as strong as it looks if there are lots of surplus notes in the capital structure. Last month S&P lowered the claims-paying-ability rating of Farmers Insurance Exchange, in part because nearly half its capital consists of surplus notes.

Is a default on a surplus note possible? Regulators think so. They recently started requiring any insurance company buying another's investment-grade surplus note to have at least 7.6 times the capital on its books that it must have when it buys an ordinary bond. This is because surplus notes are unsecured paper subordinated to all other obligations of the issuer, including policyholders' claims. Insurance regulators in the issuing companies' home states must approve every interest and principal payment to noteholders.

A greater risk than default is illiquidity. Who will buy the things now that their junk bond nature stands revealed? Insurance companies, traditionally big buyers of private placements, have avoided buying the surplus notes of other insurers since the new capital requirement took effect.

Our advice to investors: If you want a junk bond, buy a junk bond; at least that way you will probably get a higher interest rate.

High-class junk?

Andy Levin/Forbes

Insurers' surplus notes have investment-grade ratings, but they would be at the bottom of the creditors' heap if an issuer got into financial trouble.

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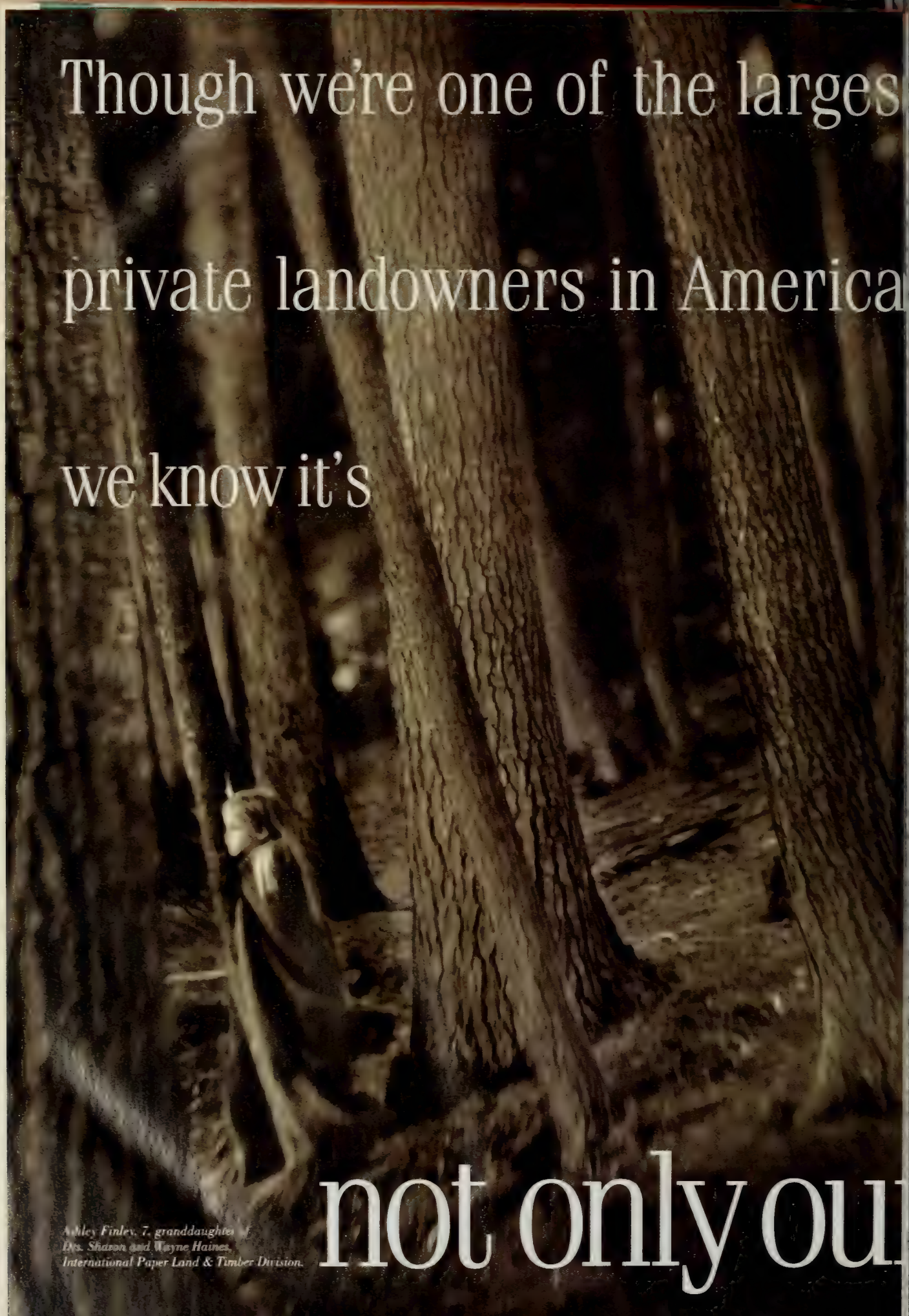

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INTERNATIONAL PAPER

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Iceland, a frigid spot in the North Atlantic, is home to the happiest population on earth. What makes Icelanders content? I found a clue amidst the island's lava beds.

Saga of fire and ice

By Richard C. Morais

The Blue Lagoon hot spring near Grindavik **Icelanders are among the most contented people on earth.**

IT'S OFFICIAL. In a poll of 18 nations, the Gallup Organization discovered that Icelanders are the happiest people alive. All 266,786 of them. Subtract the percentage of malcontents from the percentage of contents and Gallup found 82% of all Icelanders were satisfied with their personal life. The U.S. ranked fifth, at 72%, Japan was at 42%. Deeply unhappy are Mexicans and Hungarians, where the number of malcontented far exceeds the number of contented.

Some people would say that happy Iceland is just a statistical fluke. This is a country so small, anyone can make an appointment to see the president. And it is a homogeneous society, a freckled, watery-eyed nation. Wha could Iceland possibly teach America with its big, big problems?

Yet this is the second study that ha highlighted the happy Icelander Something good must be going on.

Utopia? No. Iceland is no utopia In downtown Reykjavik sailors col lapse on curbsides, swig the local fire

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Professional fisherman Thorir Hlynur Thorisson **His busman's holiday was "heaven on earth."**

water, *brennivin,* and sing just to hear themselves shout. Icelanders are great boozers—not as heavy as Finns or Danes, but Icelanders have a fisherman's history of bingeing. Nor are the nation's morals in such hot shape: Almost a third of the children are born out of wedlock.

But that's precisely what makes the Gallup study so interesting. Icelanders have problems just as the rest of us do, but they still say they are happy. This, though they dwell on an isolated, windswept island condemned by nature to just three or four hours of daylight in the winter.

I have some clues as to what makes Icelanders so contented with their lot. For the past 19 years I have fished there annually. I have come to know some of the people well.

Let me start by introducing Thorir Hlynur Thorisson, age 28. This summer Hlynur spent a month working 16-hour days, seven days a week, as a fishing guide on the Nordlingafljot River in Iceland. Without stop, he bagged salmon, drove jeeps, washed dishes. No, he was not working this hard just for money. This was his vacation. It was how he chose to spend his time off. It was "heaven on earth," he said of that month.

In late July, after a single night off in Reykjavik, Hlynur was back at his regular job at sea, on a large fishing boat. For the next 24 days in a row, he worked six hours on, six hours off, around the clock. I guess we would call Hlynur a workaholic, but so are most of his fellow countrymen.

This hard work does pay off in material ways. With a per capita gross domestic product of $26,400 (the U.S. figure is $25,617), Icelanders are among the wealthiest people on earth. Their tax dollars buy them excellent education and medical care.

"Our culture is colored by the harshness of nature."

Iceland has the lowest infant mortality rate in the world and almost the highest longevity.

But the dour Swiss have a well-run state, too, and all their material needs met, yet no one could accuse them of a cheerful outlook.

Thorolfur Thorlindsson, professor of sociology at the University of Iceland, believes the secret of Iceland's happiness lies not in its comforts, but in its age-old discomforts. It has taught Icelanders to be grateful for what they get. Isolated in the cold North Atlantic, buffeted by a hostile sea, the people have for centuries lived with the vagaries of volatile fish catches. "Our culture is colored by the harshness of nature," says Thorlindsson. "That's why Icelanders have a more tolerant attitude to the problems of life. They don't expect the same sort of stability often expected in other nations."

And so it seems. By any measures, Americans, average Americans, are considerably better off by material standards than they were a couple of generations ago. We spend increasing amounts on education, on pensions, on medical care, on taking care of the unemployed. But we seem less happy, less content with our lot.

Like Icelanders, Americans are individualists. Where we seem to differ is in our respective senses of community. Iceland—known as the land of "fire and ice"—is about living with opposing forces. It is one of the most active volcanic countries on earth; but its 4,536 square miles of glacier include Europe's largest ice flow—heat and cold, coexisting. No surprise then, that its society reconciles so well another set of powerfully opposing forces: individualism and the needs of the collective community.

Anyone who thinks Americans invented rugged individualism has only to visit Iceland. This nation has an

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ancient respect for freedom and independence. Way back in the 10th century, Iceland was a republic that established a parliament called the Althing some 300 years before Britain's "Mother of Parliaments" was created. In their love for freedom Icelanders resist being put into slots. You meet sailors planning to become actors; accountants, against the odds, passionately building salmon rivers. "Icelanders place high value on individualism," says Thorlindsson.

But here's the seeming paradox: This individualism coexists with a praiseworthy sense of community. For years I have known a wholesome, middle-class Icelandic family that matter-of-factly embraces and includes a family drunk and an illegitimate child. The wife treats her husband's illegitimate son as her own.

This family impresses me for having dealt responsibly with the downside of individualism. It never abandoned its offbeat souls. It never let them drift anonymously through the community, human flotsam to be beached at some state institution. "Studies show, in comparison to other nations, Icelanders have strong systems of support and interpersonal relationships," says Thorlindsson.

A small country, but not small-minded. The Japanese are as rich as the Icelanders. They also have a homogeneous society stretching back generations. But Japanese score low on the contentment geiger counter. Both Japan and Ameri-

ca could learn from Icelanders.

Tolerance is not just a hollow phrase in Iceland. The word for "stupid" in Iceland is *heimskur*, which roughly means "comes from home"—or as we would say, "provincial" or "narrow-minded." Icelanders believe only a dolt is unable to see the other fellow's position. In this sense, they find some of what passes for political debate in the U.S. absolutely *heimskur*.

Most Icelanders travel out into the world as young adults. It's an ancient tradition to look for the world beyond their own narrow borders: Iceland's Leifur the Lucky touched the New World 500 years before Christopher Columbus. That tradition of looking beyond the horizon has survived into the age of jets and Internets. Early on, young Icelanders learn that theirs is not the only way of doing things. Yet this worldliness never translates into contempt for their own small island and its history.

The 12th-century Icelandic sagas are studied at universities the world over and are much revered at home. For many, the myths are still vibrant. Catch your first salmon here, and you're pressured to join in the age-old custom of chewing off its fin. Turn on the radio, and on top of the charts is Bubbi Morthens, a real troubadour.

This summer in the lava fields of Iceland's interior, a small experience told me a lot about Iceland. Accountant Sigmar Bjornsson pointed out a cave where notorious thieves had hidden. He showed me where they stored their weapons, where the villagers attacked, told me how one of the thieves hopped with an amputated leg to the glacier on the horizon.

When had these characters holed up in this cave? I asked, expecting it was something quite recent. About 900 years ago, was the answer. Nearly a millennium and the myth is still alive. How many Americans today have that kind of familiarity with their nation's past, its myths, its history? How many even care?

Catch your first salmon here, and you're pressed to chew off its fin. On the radio is a real troubadour.

I wish America's multiculturalists, its deconstructionists, its historical revisionists would grasp what the Icelanders understand: that trashing your nation's myths is the wrong way to go about creating a better society. "A nation has got to be tolerant of its newcomers," says Dr. Niel Micklem, a respected Jungian psychiatrist, "but [in the process] it can't abandon its myths. If a nation loses its myths, it loses its reality. It loses its center."

Maybe I'm wrong, but I suspect that this loss of "center" is what makes so many affluent Westerners unhappy amidst their homes full of consumer goods.

Reykjavik (above); young mothers with children (far left); a guest at Cafe Siberia entertaining himself on the Internet (left); monument to Leif Ericsson, discoverer of the New World (right)
In Iceland difficult, offbeat individuals are not ostracized; they remain part of the community.

AUTOMOTIVE INNO

BY TOM WILKINSON

It has the makings of a very bad evening. You're traveling on business, after dark, in a city that's not really familiar to you. Suddenly, you feel a bump in the road, followed a few seconds later by the sickening *flop-flop-flop* of a flat tire.

As you look for a place to pull over, you see only darkened industrial buildings. There are few cars on the road. There isn't a gas station or convenience store in sight.

What to do? You reach up and push a button on the car's overhead console. A few seconds later, a friendly voice responds over the cellular phone. You may not know where you are, but the operator on the line does.

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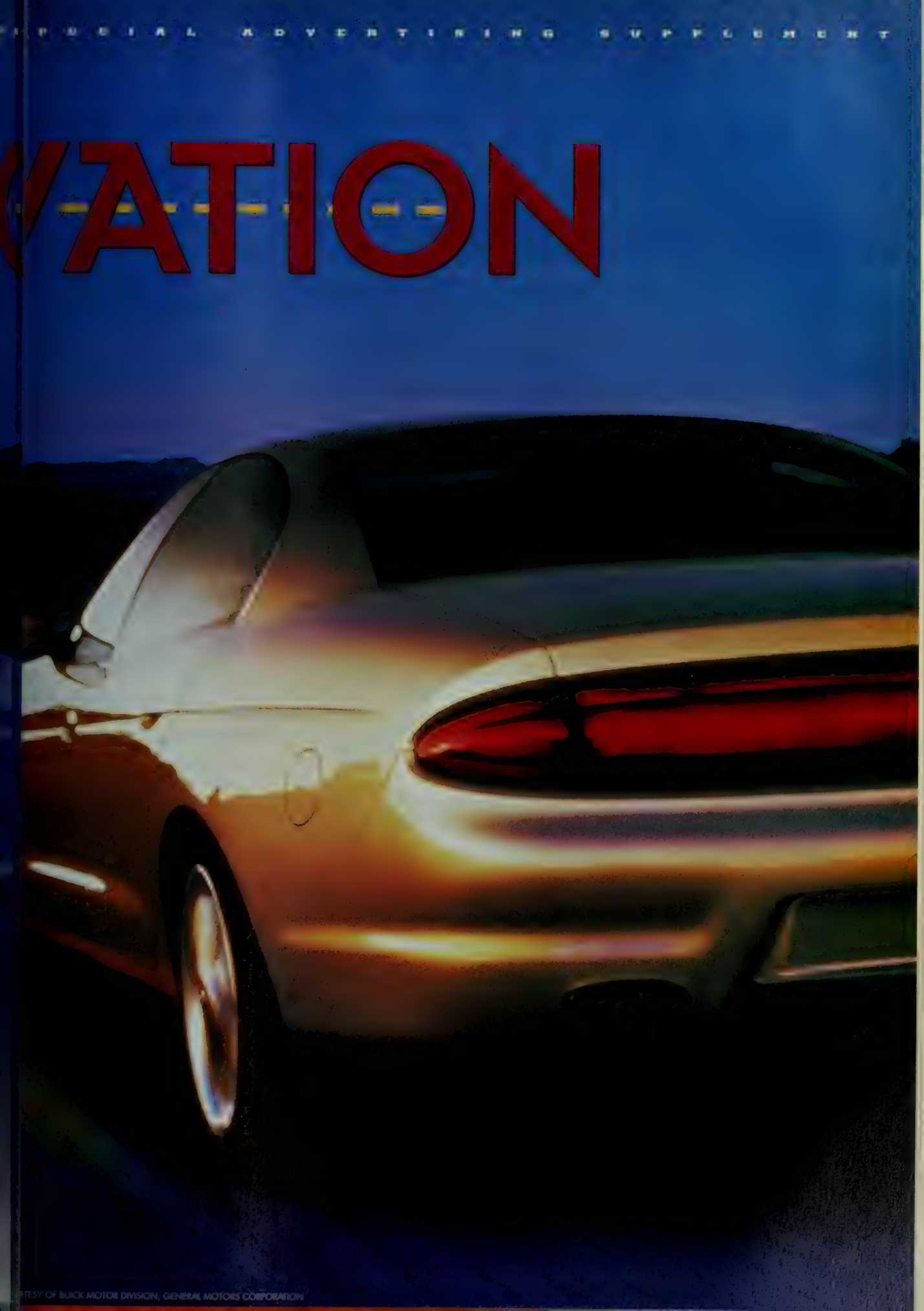

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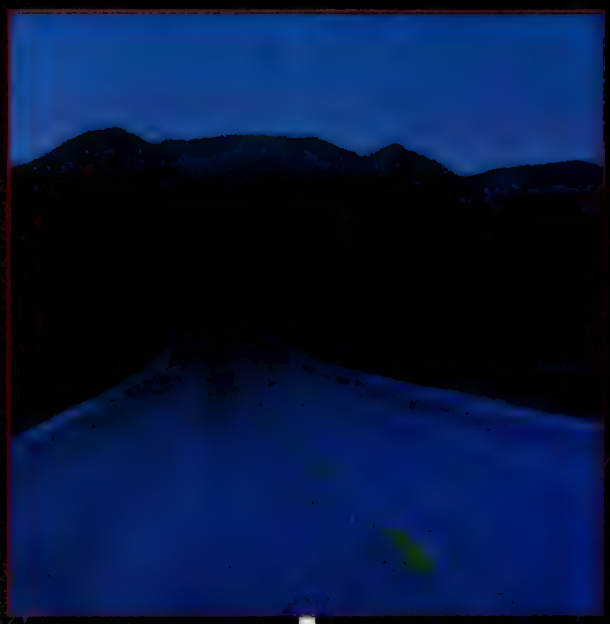
AUTOMOTIVE INNOVATION

She asks about the trouble. Finding that you only have a flat, she says that she'll call a tow truck from a shop just a few minutes away. Before long, the truck has arrived, the mechanic has helped you change the tire, and you are back on the way to your hotel.

A car that can call for help—and tell the roadside service operator exactly where to send it—may sound like a fantasy. But this system, combining a global-positioning satellite receiver with a cellular phone, is now available on the Lincoln Continental.



The new Lincoln RESCU system is an amazing invention. But it's only one example of the innovation built into today's cars and trucks. Automakers and the companies that supply them are in the midst of a whirlwind of new technology. Every step of the carmaking and selling process, from the engineering laboratory to the bottom line of the sales agreement, is being revolutionized again and again.

For those who love innovation and tak joy in what's new, the automotive world offers almost limitless pleasures. Unlike cutting-edge technology in some other industries, automotive innovation is almo always friendly to the customer. Gone are the synthetic voices that nagged you to close your door. Banished are complex touch-screen contro for simple functions like tuning the radi Vanished are high-performance engine that required a full-time mechanic.

Today's automak ers understand that technology must serve the customer. And if the custome doesn't care about technology—and many don't—then the technology must be made to labor quietly in the background.

The lost driver who is bailed out by th local tow truck doesn't have to know hov cellular phone or global-positioning satel lite receiver works. He or she can simply be grateful that an automotive innovatio worked exactly as intended.

If you think driving a new Cadillac is just a dream, this is your wake-up call.

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well equipped GS
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automobile is engineered to such precise tolerances and with such structural integ feels as if it were formed from a single piece of steel. Imagine that it not only goes 10 miles between scheduled tune-ups* but that it's so rewarding you'll actually want to it that far. Imagine an automobile that impresses you with both its interior room (

LINCOLN-MERCURY DIVISION *Under normal driving conditions with routine fluid/filter changes †Based on MSRP with PEP 450A Tax, title extra ‡Based on MSRP of Sable LS with PEP 460A and listed options Tax

That Looks So Fluid
So Solid.

Mercury Sable LS

SABLE, in fact, than Honda Accord and Toyota Camry) and its interior amenities. On the other hand, why imagine any of those things when you can see, hear and feel them firsthand instead? With a test drive in the all-new Mercury Sable. For more information call 1 800 446-8888, or enter *http://www.Mercuryvehicles.com* for access to the Internet.

Two examples of outstanding engineering: all oils go 100,000 miles between scheduled tune-ups and a strong safety cage with innovative cross-car beam to protect occupants.

Mercury

IMAGINE YOURSELF IN A MERCURY

AUTOMOTIVE INNOVATION

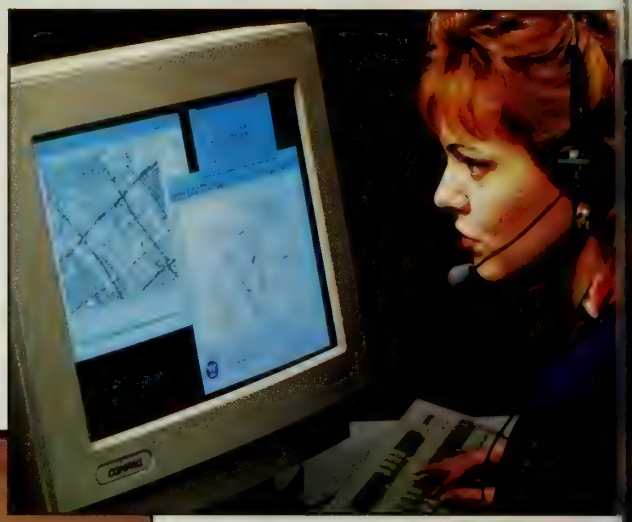
LINCOLN TO THE *RESCU*

For years, carmakers have been trying to come up with a good use for the global-positioning satellite system. GPS, a network of 24 government satellites orbiting high above the earth, was developed to help soldiers, pilots and others find their way through uncharted territory.

As the receivers that calculate location using signals from the satellites have become smaller and cheaper, GPS has become increasingly popular with hikers who want to find their way through the wilderness, and with anglers who want to find their way back to that special fishing spot. To date, GPS-based navigation systems haven't caught on with drivers, who need to know route numbers and street addresses, not longitude and latitude.

Electronics experts at Ford's Automotive Components Division have developed something that makes GPS useful to the nation's drivers. Called Lincoln RESCU, it combines GPS and the car's cellular phone into a powerful security tool, one that can quickly summon help should a driver need assistance from police, the fire department, paramedics or the local towing service.

Lincoln RESCU recently passed field tests in eight cities, and it will be offered on the Continental during the 1996 model year.



LINCOLN-MERCURY DIVISION, FORD MOTOR COMPANY

LEFT: Pushing one of a pair of buttons on the overhead console of the Lincoln Continental summons help and tells emergency personnel where the car is located.

ABOVE: Vehicle location is calculated using the global-positioning satellite system. Operators at the response center will establish voice contact and stay on the line until help arrives.

To call for help, a driver simply pushes a button located near the cellular-phone controls. The phone connects to the Lincoln Security Center, operated by the Westinghouse Emergency Response Center in Irving, Tex.

What makes RESCU unique is that the system immediately transmits the location of the vehicle, accurate to within 100 feet, to the security center. Even if the driver is confused—or just plain lost—staff at the center will instantly know where the car is.

"Emergency response groups report that many cellular phone callers are unable to provide their correct location in a timely manner during an emergency," says Keith Magee, general manager, Lincoln-Mercury Division. "We will use advanced technolog to address that concern."

Operators at the security center estal lish voice contact with the caller and maintain contact until help arrives. The system also transmits the type of alarm (emergency or roadside assistance), the longitude and latitude of the vehicle, the vehicle identification number, the last recorded speed and direction of the vehicle and a call-back number for the phone

In field tests earlier this year, the sys tem worked 96% of the time, connecting the car to the response center and estab lishing voice contact in less than a minute. Unsuccessful activations were generally due to poor phone signals or similar problems.

A password, established when the vehicle is purchased, can be used to cancel the call if a button is pushed in error. If no password or an incorrect password is given, the police will be asked to send assistance immediately.

SO PAMPERING, YOU ALMOST EXPECT TO FIND A MINT ON THE HEADREST.

Many consider Avalon to be a five-star resort on four wheels. Simply relax into its optional butter-soft, leather-trimmed seats. And experience the tranquility that comes with being surrounded in such ergonomic opulence. This hushed interior allows you to put the world on hold, while Avalon's 192-horsepower V6 answers the call of the highway. It is Toyota's American-built flagship. And with its available six-passenger seating, it is so spacious, yet so comfortable, one could travel hundreds of miles without ever moving an inch.

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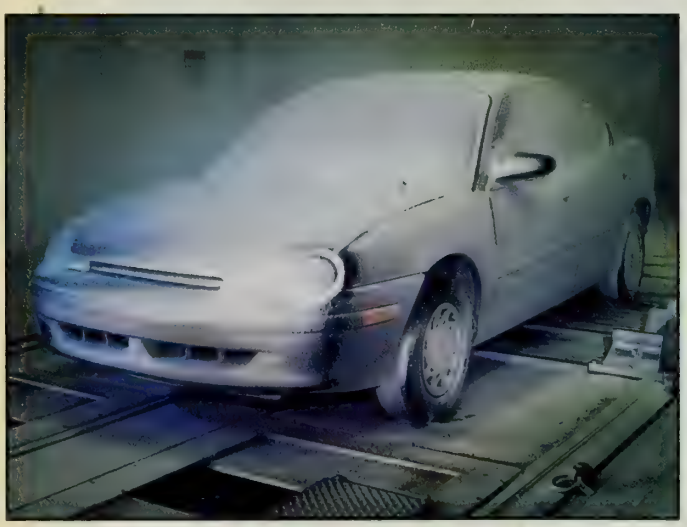
AUTOMOTIVE INNOVATION

CHRYSLER LABS SPEED CAR DEVELOPMEN

North of Detroit stands Chrysler's brand-new world headquarters—a massive glass-and-steel edifice that inspires awe among people in the automotive industry. The complex brings all of Chrysler's new-car engineering programs together under one roof, and houses the company's new Scientific and Engineering Laboratories.

The advantage of the facility isn't found in the individual labs themselves, says Bernard I. Robertson, vice president of engineering technologies. After all, every major carmaker has similar labs somewhere in its organization.

"Rather, the advantage is in having all these capabilities under one roof, just minutes away from the engineers who are developing the cars and trucks," says Robertson. "The labs are a common area where engineers from various platform teams can consult with experts and share information. This really helps to maximize the effectiveness of the whole organization."



ABOVE: Chambers in the Environmental Test Center can chill a car to -40°F or heat it to more than 120°F, without leaving suburban Detroit. BELOW: Chrysler's 3/8-scale wind tunnel allows engineers to test for drag, side-wind sensitivity and other aerodynamic effects.

Included in the 424,000-square-foot facility are a wind tunnel, an environmental test center, an electromagnetic compatibility center and a noise, vibration and harshness (NVH) laboratory.

A tour of these laboratories shows just how critical basic research has become to today's car companies. The labs allow engineers and scientists to simulate hundreds of real-world driving conditions in a carefully controlled environment, speeding product development and improving quality every step along the way.

RUN WITH THE WIND

Aerodynamics have become a critical part of car design. Air resistance has a significant effect on fuel economy, especially at highway speeds, and turbulence from air rushing over the moving vehicle is a major cause of interior noise.

Chrysler's laboratories house a wind tunnel the size of a small house, which can test 3/8-size models under a variety conditions. A massive, full-scale wind tunnel is under construction nearby. These tunnels can help engineers evaluate dra wind noise, side-wind sensitivity, windshield-wiper lifting and many other aero dynamic factors.

The aero lab is also involved in one today's most exciting new technologies: computational fluid dynamics (CFD), which allows engineers using powerful computers to accurately model the flow air or other fluids. CFD promises to revo lutionize key aspects of car developmen Engineers can do a wind-tunnel test on car while it is still just a mathematical model, making the subtle changes neede to reduce drag and wind noise even befo the first clay model is built.

FREEZE AND FRY

The U.S. is home to some of the mos extreme climates in the world. So developing cars and trucks that will please customers, no matter where they live, is no easy feat. By allowing engineers to duplicate any conceivable climate withou leaving Michigan, Chrysler's Environmental Test Center makes it possible to do environmental tests faster and more accurately than ever before.

Six test cells chill cars to -40°F or heat them to more than 120°F. Wind tunnels and dynamometers simulate driving conditions of up to 90 mph. Technicians can shower the vehicle with rain or snow They can crank the humidity to a soggy 95%, or dry the air to a desert-like crisp.

This allows Chrysler to repeat climate tests year-round, reducing expensive trips to Canada and Arizona. "We like to say, 'Our weather forecasts at Chrysler are 100% accurate,'" quips Jack Gillian, manager of thermal testing and development.

TRACKING STRAY SIGNALS

The growing use of computers in cars

AUTOMOTIVE INNOVATION

ABOVE: The Electromagnetic Compatibility Lab isolates the vehicle, then blasts it with carefully controlled radio-frequency signals. BELOW: Massive quiet rooms in the Noise, Vibration and Harshness Lab help engineers isolate and smooth out annoying sounds and shakes.

and trucks has meant that controlling stray electromagnetic signals is critical.

It's one thing to have the neighbor's ham radio fuzz up your TV. It's another to have it stop your new minivan dead in the driveway.

Chrysler's Electromagnetic Compatibility Lab provides a controlled environment for studying the effect of radio frequency (RF) signals on a vehicle's vital electronics. "Each car can use ten to 20 microprocessors throughout its systems," says Richard Bradshaw, EMC engineer. "They control airbags, anti-lock brakes, engine controls and many other vehicle systems."

RF noise can come from radio and TV towers, mobile radios, cellular phones, burglar alarms and the like. Chrysler can duplicate this interference in a lab, where it can be carefully studied. In massive chambers with walls lined with an RF-absorbing material similar to that used on stealth aircraft, radio transmitters blast vehicles with a variety of frequencies.

FIND THAT NOISE

As cars have gotten smoother and quieter overall, it has become harder to tune out the small but annoying noises and vibrations that remain. One engineer likens it to draining a swamp: As the water level drops, all sorts of once-hidden things start to poke above the surface.

Chrysler's noise, vibration and harshness (NVH) labs help engineers smooth out these annoyances. "It's really like a hunt, attempting to find the source of an undesirable sound," says Walter Esser, manager of the NVH lab. "The trick isn't so much to eliminate all sound from the vehicle, but to tune and enhance the sound to make the car more pleasing."

The NVH lab houses several huge hemi-anechoic chambers, each lined with angular sound-absorbing shapes. Some of the chambers include massive dynamometer rolls, which can be covered with surfaces that duplicate road noise. Other chambers measure the noise and vibration of powertrains and other mechanical components.

Engineers even use the lab to fine-tune the sound of the car door slamming shut, taking the pursuit of customer satisfaction to a level unimaginable just a few years ago.

COMING SOON: THE KEYLESS CAR

Among the features of the Buick XP2000 show car is a keyless locking system. As the driver approaches, a coded signal from a tiny plastic fob unlocks the car, activates its computers and automatically adjusts the seat, mirrors and other items. The engine starts and stops with the push of a button. Walk away from the car and it switches to standby and relocks itself.

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AUTOMOTIVE INNOVATION

DEVELOPING A CAR: THE SABLE STOR

When it first rolled into the showrooms eight years ago, the Mercury Sable, along with its sibling, the Ford Taurus, was an instant hit. Given the success of the Sable, the question for Lincoln-Mercury and Ford Motor Company became, "What do we do for an encore?" The answer was a 38-month program to develop a new Sable and Taurus, a program that provides a fascinating glimpse of how a modern automobile is born.

By any standards, the program to build the new Sable was a massive one. It involved hundreds of designers, engineers, managers and suppliers within Ford's worldwide network. It meant a total redesign of almost every part of the car.

As is increasingly the practice in Detroit, Tokyo and elsewhere, the project was managed by what is known as a co-located team. "We started with a dedicated team of people, all working in the same building," says Dick Landgraff, Ford's large-front-drive vehicle line segment director. "It was one of the largest teams of its type ever assembled at Ford Motor Company. Everyone worked in their specialty area. But they worked exclusively on this one vehicle."

Putting all the key people in one location helps speed the thousands of decisions that have to be made and allows tradeoffs to be made more effectively. Says Landgraff, "We saved countless hours by having all of our people in one place, so that information could be processed quickly and key decisions could be made with all concerned parties at the table."

Keeping everything on track was a process Ford calls World Class Timing. "This means using a detailed timing plan, with checkpoints along the way, and measuring everything against the plan," explains Landgraff.

FIRST STEP: DESIGN

In any car-development program, the first major checkpoint is the end of the design phase, when the stylists, engineers, market researchers and others have settled on the basic design for the new vehicle. Says Landgraff, "If you make your design date, everything else pretty much happens on schedule."

Though the new Sable was replacing an established car with a loyal customer base, the schedule still allowed for two separate sessions of market research, to refine and finalize the basic design. "We did four different versions of our clay models before we were convinced that we had the designs right," says Landgraff.

Development of the design had to be completed a full two years before the first Sable was due to roll off the production line, Landgraff adds. "That's when you have to deliver all of the mathematical surface data for all of the bodies to the manufacturing group, so they can start producing the tooling."

MEASURING SUCCESS

While the new Sable was emerging a complex, three-dimensional computer model, the team's control center was becoming covered with graphs, charts and tables.

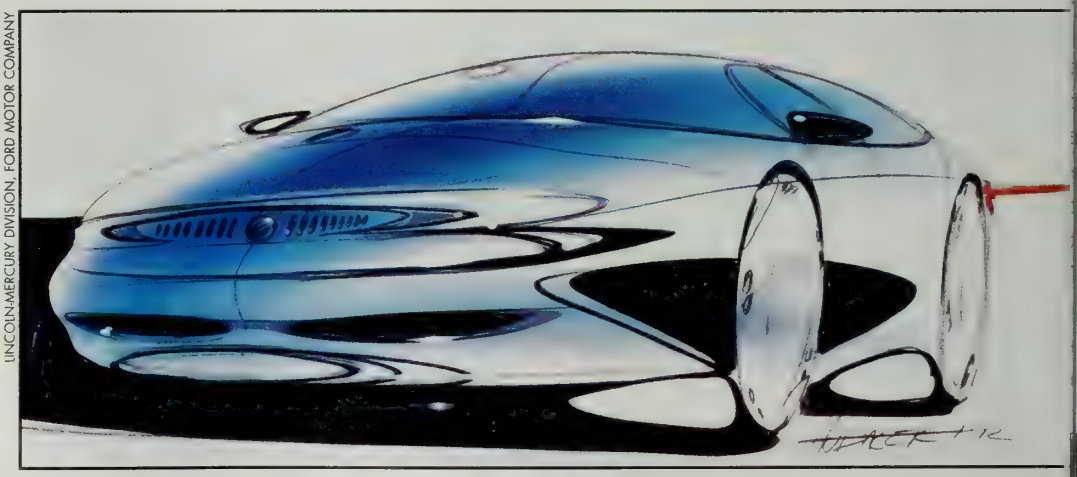
"You must have a rigid and disciplin system for monitoring progress," explai Landgraff. "Otherwise, in the day-to-da struggle of trying to get individual jobs done, people lose sight of the fact that whole car has to come together."

The companies that supply parts for the new Sable have been involved in th design process from the very beginning Landgraff says they were integral to th success of the program. "We've had mu deeper and much earlier involvement o the suppliers than in previous program That way, they could work with us to meet cost, timing and other targets tha we mutually agreed upon."

STRIKING SHAPES

The cars that have emerged from th development process are a striking bler of stylish exteriors, comfortable interio and modern, efficient running gear.

The new Sable is nearly eight inche longer and two inches wider than the p



LINCOLN-MERCURY DIVISION, FORD MOTOR COMPANY

Styling sketches helped finalize the look of the new Sable. The design had been completed for more than two years before the first car was built.

AUTOMOTIVE INNOVATION

vious version. The glass area has been ncreased by 28%, giving those inside ı panoramic view. The wheels have been moved toward the car's corners, providing a more stable stance and a arger interior.

"We aimed for a tension and tautness n the surface, to express the energy beneath that surface," explains Jack Telnack, vice president of design for Ford Motor Company. "In my sessions with the designers, I kept urging them to wrap the shapes tightly around the mechanicals, emphasizing the tires. The car's stance suggests stability, and the car is more stable. So the look reflects the driving dynamics."

As with other aspects of the car, its overall styling benefited from having the entire team working together in one location. Continues Telnack, "When individual designers and engineers work so closely together, they believe that their contributions are a strong part of the team effort. They buy into decisions, then work even harder to make things right.

"When that happens, you create cars like the new Mercury Sable, where the smooth integration of form and function can please and satisfy potential buyers. So the customers reap the ultimate benefit of the design effort."

ELEGANT CONTROL PANEL

The development team forged new ground, with satisfying results, in the Integrated Control Panel in the center of the Sable's dashboard. The goal was to combine all controls for the air conditioning and the sound system into one centrally located, easy-to-use panel. Creating this elegantly simple panel involved the cooperation of many parts of the development team, including stylists, structural engineers and electronics specialists.

For starters, a whole family of panels had to be developed to accommodate the wide range of climate control and sound systems offered on the Sable. In the process, the team decided to move the actual electronic parts of the radio, along with the optional six-disc CD changer, to the trunk of the car, and to connect everything using a sophisticated network of wiring.

Moving the radio and CD changer proved to have several benefits. It freed up space in the instrument panel, one of the most densely packed parts of a modern vehicle. It also reduced the likelihood of theft, since the control panel alone is essentially useless.

These kinds of intelligent considerations were made throughout the development of the Sable, proving once again the wisdom of using a tightly knit team to develop the car from start to finish.

Development of the new Mercury Sable involved one of the largest co-located teams ever assembled at Ford Motor Company.

LINCOLN-MERCURY DIVISION, FORD MOTOR COMPANY

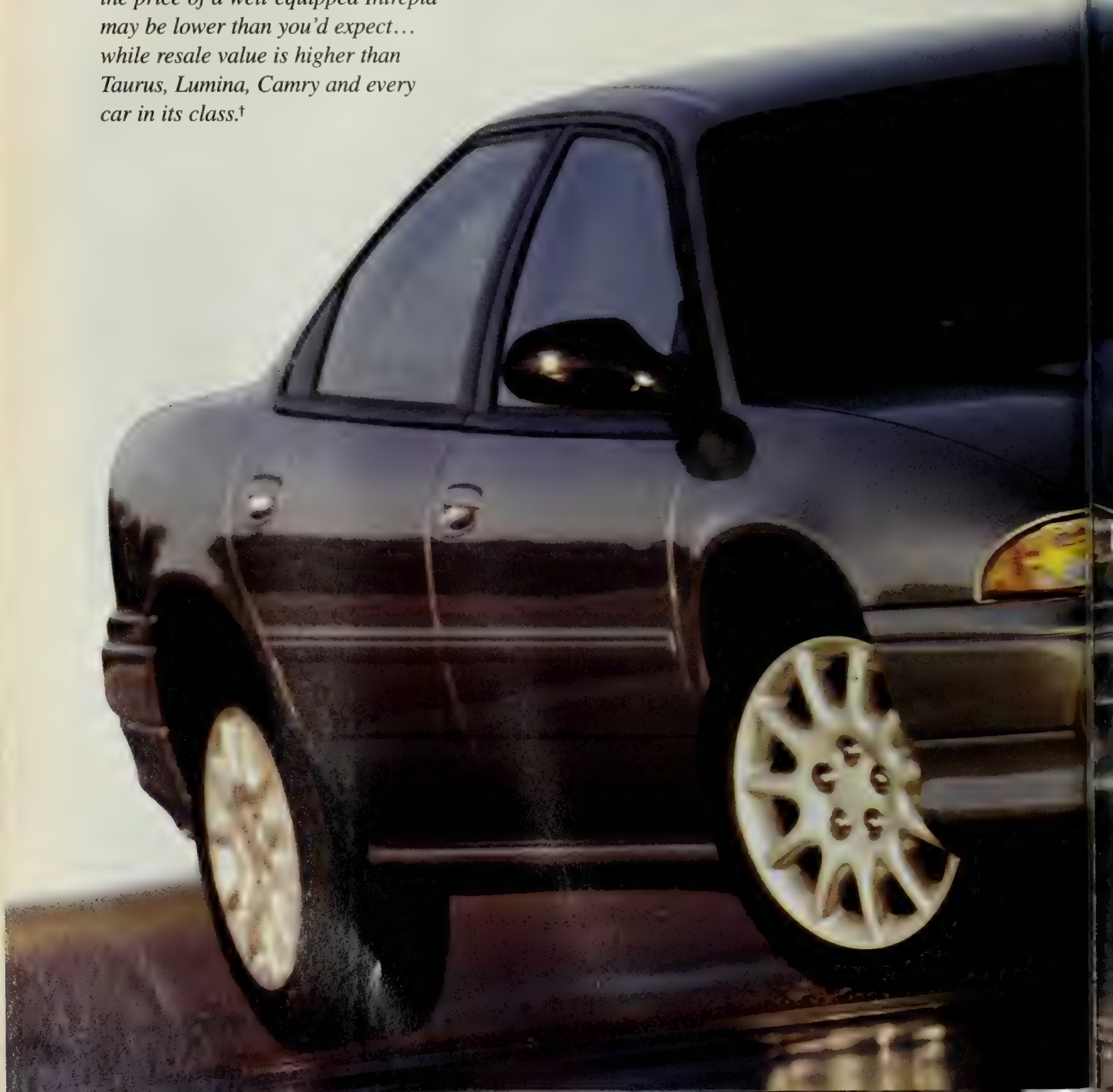
The Integrated Control Panel, in the center of the dash, houses the controls for the sound system and air conditioning.

Except for t the wheel things are pre you'd expec

Because of Dodge Intrepid's cab-forward design, you won't find the windshield in the usual place. Its leading edge is moved forward and down, to enhance visibility and aerodynamics.

The wheels are pushed toward the corners, for greater stability and increased interior room.

And this year many features that were options are standard. So now the price of a well-equipped Intrepid may be lower than you'd expect… while resale value is higher than Taurus, Lumina, Camry and every car in its class.†



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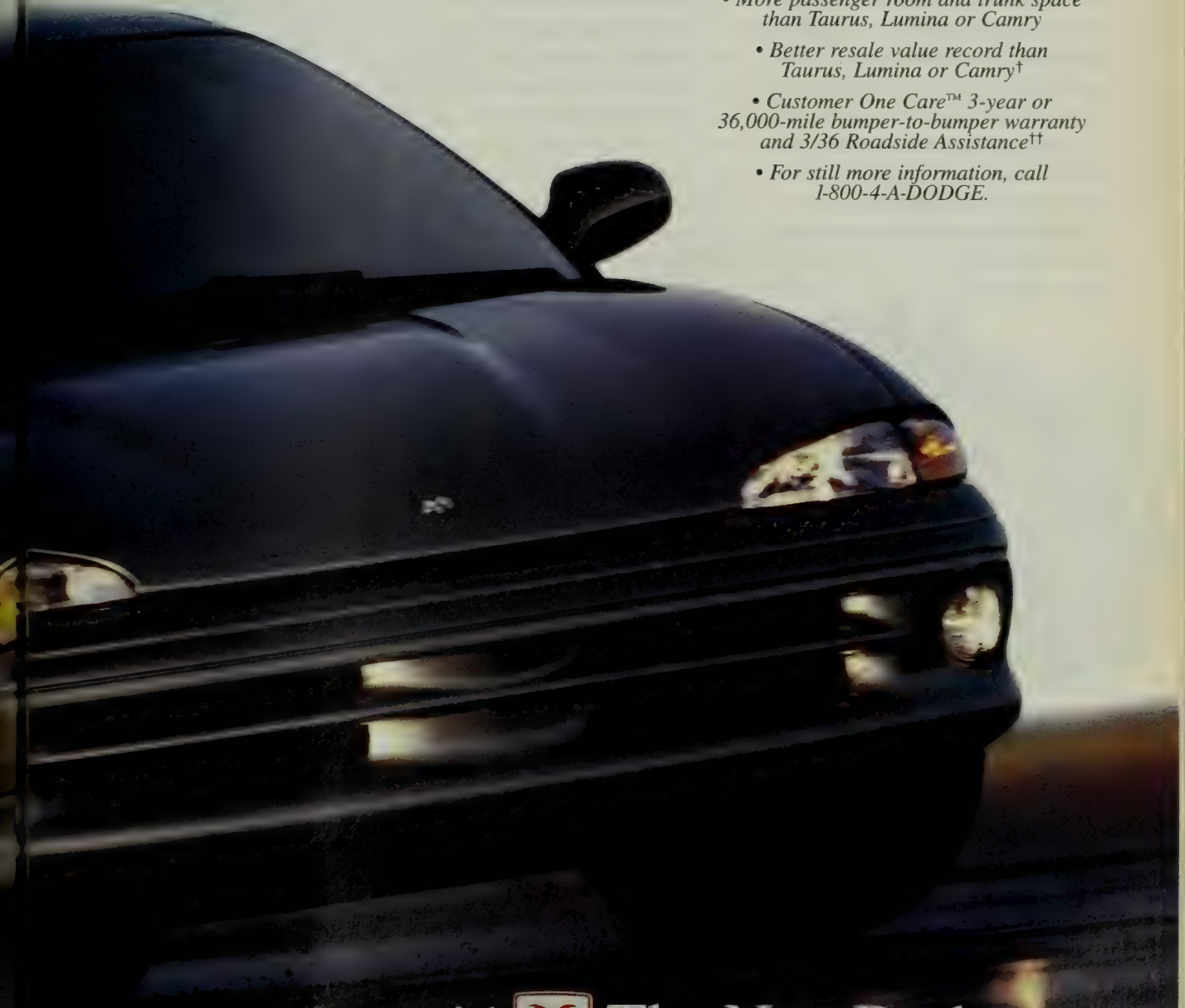

Intrepid The New Dodge
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AUTOMOTIVE INNOVATION

A TALE OF TWO ENGINES

When it comes to innovation, people often assume that all paths lead to the same solution. If enough people work on a problem long enough, it seems only logical that they will come to the same conclusion.

That's not always the case, especially with something like the modern automobile, which involves so many tradeoffs. There is probably no better example of this than a comparison of two of today's newest engines. The first, the Ford Duratec V6, is used in the Mercury Sable and Mystique and Ford Taurus and Contour. The second, the GM 3800 Series II V6, is used in the Buick LeSabre, Chevrolet Camaro and various other GM cars and minivans.

In some ways, the engines are quite similar. Both the GM 3800 Series II V6 and the larger version of the Duratec are rated at about 200 horsepower. Both deliver highway fuel economy in the 29 mpg range when installed in a mid-size sedan. Both were designed by American companies. Both are built in the U.S.

GM's 3800 Series II V6 is a less-advanced design with comparable performance.

GENERAL MOTORS CORPORATION

But in other ways, the Ford and GM V6s couldn't be more different. The Ford Duratec engine, built in 2.5-liter and 3.0-liter versions, follows the latest fashion in engine technology. Its major parts are cast from lightweight aluminum using an advanced casting process developed in England by racing-engine builder Cosworth. And it uses a sophisticated system of dual overhead camshafts and four valves per cylinder to speed the flow of air in and out of the cylinders. The more air and fuel an engine can consume, the more power it can generate.

In contrast, GM's 3800 Series II is essentially an evolution of the original Chevrolet V8, introduced in 1955. Major parts like the engine block and cylinder head are cast in sand molds from ordinary iron, a technique that dates back thousands of years. And the valves that control the flow of air through the engine are operated by a single camshaft buried deep in the engine, via a batch of skinny metal tubes known as pushrods.

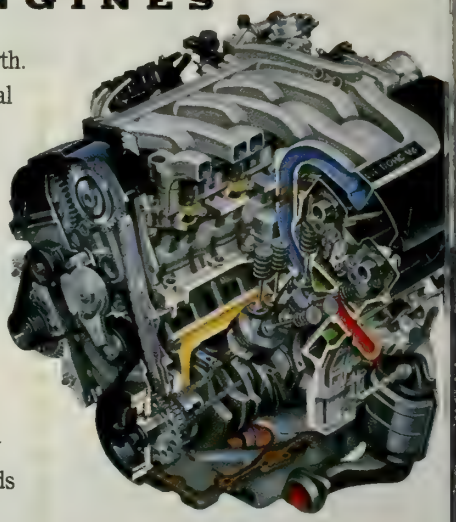
The differences between the two designs are numerous. Ultimately, the choices made by Ford and GM come down to different ways of defining efficiency.

Because of its more sophisticated valvetrain, a dual-overhead-cam engine like Ford's Duratec can make more horsepower from a given cylinder displacement. (Displacement, measured in liters or cubic inches, describes the total volume of all the engine's cylinders. All else being equal, more displacement equals more power.)

The 3.0-liter Duratec used in the Sable and Taurus generates 200 horsepower from 3.0 liters of displacement. The 3800 Series II, with its somewhat less-efficient basic design, needs 3.8 liters of displacement to generate a similar 205 horsepower.

In Europe and Asia, where cars are often taxed according to engine displacement, dual-overhead-camshaft engines give buyers more performance in each displacement class. A major reason Ford chose a dual-overhead-camshaft design as the optional engine on the Taurus and Sable was to compete head-on with the imports. Says Phil Novell, Ford's general sales manager: "What we've done is put everything in the new cars that an import buyer would want."

This sophisticated engine technology has its tradeoffs, though. The multiple camshafts



Ford's Duratec V6 uses a sophisticated dual-overhead-camshaft design and light weight materials.

(four in the case of a V6), extra valves an related hardware increase the overall size the engine. They also add cost to the eng which must be absorbed by the manufact or passed on to the buyer. And perhaps m important, they add weight.

It was exactly these compromises tha spurred a team of GM engineers to furth develop the pushrod engine, which many carmakers consider obsolete. They reaso that by optimizing every piece of the olde design, they could match the performanc the new overhead-camshaft competitors. they could, they would end up with an engine with comparable performance tha was smaller and cheaper to manufacture

Using supercomputers, they modeled airflow through the engine and redesign everything for improved efficiency. They went through the pushrod valvetrain, reengineering every piece to allow the valves to open and close more efficiently

So who is the winner of this particu skirmish in the engineering wars? The customer, of course. Buyers now have t wonderful new engines to choose from. And Ford and GM have both pushed th state of engine art yet another step further, learning still more about how to make engines more powerful, more efficient and more durable.

AUTOMOTIVE INNOVATION

IMPROVING THE ENVIRONMENT

Sometimes change comes in one giant leap. More often, it comes in many small steps. For the auto industry, innovation in environmental protection is mostly a quest for hundreds of small, yet significant, advances. Two recent developments by one supplier, Parker Hannifin Corporation, provide good examples of this progress.

LEFT: Racing mechanics were among the first to employ the reusable, easy-maintenance Racor filter. BELOW: Used oil filters are considered a significant environmental problem. These reusable filters eliminate the need to recycle disposable filters.

BETTER HOSES FOR AUTOMOTIVE AIR CONDITIONING

The thinning of the earth's ozone layer, which protects the planet from the sun's damaging ultraviolet rays, recently prompted a worldwide treaty to replace chemicals thought to damage the ozone. One of the most common was CFC-12, a chlorine-based refrigerant used in the air-conditioning systems of cars and trucks.

The industry quickly settled on a substitute refrigerant, a chemical known as R-134a. Unfortunately, the chemical's molecules are so small they can escape right through the rubber hoses used in conventional auto air-conditioning systems.

The new ozone-safe refrigerant, developed for use in automotive air conditioners, also required a new generation of hoses.

Parker Hannifin responded with a new type of hose called Parflex 80. Made from a nylon tube that is wrapped in a braided nylon reinforcement, then coated with a special synthetic rubber, it can keep R-134a where it belongs.

Working with General Motors, Parker Hannifin also developed special filters that can be installed in the auto a/c system when it is serviced. These safely collect bits of material that result from normal wear-and-tear or system damage, reducing the need to flush the system. This eliminates the need for another ozone-depleting chemical, CFC-11, previously used to flush out a/c systems during service.

REUSABLE OIL FILTERS

Oil filters from cars, trucks and industrial equipment also have emerged as an environmental concern. Old filters almost always contain significant amounts of used oil. And since even a few ounces of oil can contaminate hundreds of gallons of ground water, many locales no longer permit oil filters to be disposed of with ordinary trash.

Oil-filter recycling has been successful in many areas. The Racor Division of Parker Hannifin has another solution: a filter for oil, hydraulic fluid and other liquids that is totally reusable.

Originally developed for racing and fleet mechanics, who needed to take apart the oil filter to check for engine wear or damage, the Racor filter consists of a two-part aluminum housing with a fine stainless-steel filter screen in between. To service the filter, a technician simply takes apart the filter, cleans the screen and puts it back together.

This small innovation can save fleets and others major disposal headaches and eliminate one more source of environmental pollution.

"Not all passenger

But they al

General Motors is developing the first "pregnant" crash dummy to study the effect
collisions on expectant mothers and their babies. "This could lead to new safety
tures designed just for pregnant women," says Dr. David Viano, principal researche
General Motors. "And whatever we learn, we'll share with other automakers." Dr. Vi

Can be Seen.

Need protection."

es women to wear safety belts during pregnancy—years of research show the bene-
far outweigh the risks. Position the lap belt under the bulge of the stomach and over
hip bones. Position the shoulder belt between the breasts and to the side of the
ge. At General Motors, safety isn't one thing. It's everything.

AUTOMOTIVE INNOVATION

MAKING CARS SAFER

No area of automotive innovation has affected ordinary drivers quite so much as safety. Starting with the development of three-point shoulder belts in the mid-1960s, automakers and their suppliers have embarked on a relentless crusade to make cars and trucks safer. This revolution continues today. In dozens of ways—some obvious, some invisible to the untrained eye—engineers and scientists continue to develop innovations that make cars and trucks safer than those of just a few years before.

STRONGER STRUCTURES

A quiet revolution in automotive safety continues under the skin, where engineers are working to build body structures that provide better protection in the event of a crash.

This isn't just a matter of making everything stronger. A 3,000-pound car, moving at highway speeds, carries a colossal amount of potential energy. This energy has to be dissipated in a crash, spread out over time to protect the car's occupants from lethal jolts of deceleration.

The solution is to build the center section of the car as strong as possible, forming a safety cage around the driver and passengers. The front and rear of the car are designed to progressively crumple in a crash, absorbing as much of the energy as possible.

New standards for side-impact protection are prompting further improvements in this body structure. Newer cars feature strengthened steel beams and impact-absorbing foam in the doors, along with massive cross-car beams to help keep the safety cage from deforming when the car is hit from the side.

AIRBAGS ADVANCE

Airbags—large fabric cushions that inflate almost instantly to absorb crash impact—have been a major success story in automotive safety. Now that driver- and passenger-side airbags have become nearly universal, the industry is asking, "What's next?"

How about airbags to protect occupants from side-impact crashes? Airbag suppliers like TRW are hard at work developing just such restraints, which could protect the head, chest and pelvis during a side-impact collision. The technical challenges are significant. Because there is little crush space on the door of a vehicle, side-impact bags have to inflate much more quickly than front bags if they are to offer much protection. Cost is also a major challenge, if carmakers are to add two or more additional airbags without pricing the finished vehicle out of reach.

Smart airbags are another promising area for innovation. Replacing a passenger-side airbag and related parts costs hundreds of dollars, money wasted if there was no one sitting in that seat. And in many situations, the effectiveness of an airbag and seat belt can be improved by adjusting the timing of inflation to s the specific crash.

So TRW and others are hard at wor on smart restraints. These will use ser sors in the passenger compartment to determine the weight and position of ea occupant. The tiny computer that contr the airbag will then provide the protect best suited to that crash.

ANTI-LOCK BRAKES FOR ALL

Anti-lock braking systems (ABS) pr vent the brakes from locking in a panic stop, helping the driver maintain contro

GENERAL MOTORS CORPORATION

LEFT: This cutaway of the Geo Metro sho the safety cage around the interior. Red beams provide improved side-impact pro tection. Air bags are shown in yellow.

RIGHT: TRW has developed sensors that allow "smart" airbags to deploy with the best possible protection suited to a specific crash.

Some recent studies have raised questions about the effectiveness of ABS in certain emergency situations. It is also becoming clear that drivers need to be trained to use ABS effectively, by jumping hard on the brake pedal and holding it down during a panic stop, rather than pumping it the way they were taught in driver's ed.

Still, there is little doubt that ABS is

AUTOMOTIVE INNOVATION

TRW's Active Roll Control system blends electronics and hydraulics to provide safer cornering without sacrificing a smooth ride.

benefit overall. Indications show that ABS reduces the number and severity of slick-road, multi-vehicle crashes. ABS also reduces car/bicycle and car/pedestrian accidents.

Carmakers are rushing to make ABS either standard or optional on all vehicles. A few years ago, General Motors stole the march on everyone when its Delphi Chassis Group developed its own low-cost ABS system. As a result, ABS is now standard equipment on many lower-cost GM models like the Chevy Cavalier and Corsica, cars that have proven popular both with consumers and safety-conscious fleets.

Other suppliers are working hard to catch up. And as the cost of ABS continues to shrink, it seems certain to become standard equipment on almost all cars and light trucks.

ELECTRONIC HANDLING ENHANCEMENTS

One of the great unexplored frontiers of automotive innovation is the use of powerful computers to improve the ride and handling of a vehicle. Fully computerized active suspension, popular a few years back, proved too expensive for everyday use. Now automakers and suppliers are sorting through dozens of less-expensive alternatives.

Sophisticated computerized shock absorbers are already used on some sport and luxury cars, like the Chevrolet Corvette and many Cadillacs. Air suspension, which uses computer-controlled air springs to keep the body of the car at a precise distance from the road, has found favor at Lincoln and Lexus.

TRW recently demonstrated an Active Roll Control system, which helps control body roll during hard cornering. The system allows the anti-roll bars to remain relatively soft during normal driving, so that a bump under one wheel doesn't jolt the car and its occupants. Then, during emergency maneuvers or hard cornering, the anti-roll bars stiffen, providing more precise control.

With carmakers and suppliers across the globe scrambling to bring these and other safety innovations to market at an affordable price, the quiet revolution in safety is far from over.

Modern engineering and manufacturing techniques are creating a new generation of inexpensive convertibles, like the new Chevrolet Cavalier LS. These cars are designed from the start as convertibles, making them tighter and less likely to leak than the chopped and converted ragtops of recent years.

AUTOMOTIVE INNOVATION

TECHNOLOGY TRICKLE-DOWN PROVIDES PERFORMANCE ON A BUDGET

Mention innovation and most people picture the pushing and tugging that goes on at the very edges of the envelope, where scientists, engineers and technicians struggle to extend the human horizon a tiny bit more each day. More important for most of us, though, is the way this innovation trickles down from the top, improving the ordinary products we use in our daily lives.

Take the 1996 Pontiac Firebird and Chevrolet Camaro. These cars, along with the Mustang GT, bring performance once associated with Ferraris and Cobras to the driveway of everyday folks. And they aren't just fast: These new sporty cars are safe and civilized enough to drive every day, something no performance car of the past could claim.

For a price of $20,000 or so, you can have a car that will accelerate from zero to 60 mph in just six seconds, hit 140 mph-plus on the track and grip the corners like glue. Better yet, it will start every time you turn the key, idle all day in traffic without overheating and last 100,000 miles with a minimum of care.

All this is possible because technology developed at the cutting edge trickles down to everyday cars and light trucks. In the new Pontiac Firebird Trans Am with the WS6 performance package, the basic hardware is similar to that used in many ordinary passenger cars. But it has been balanced and refined to give performance that is anything but ordinary.

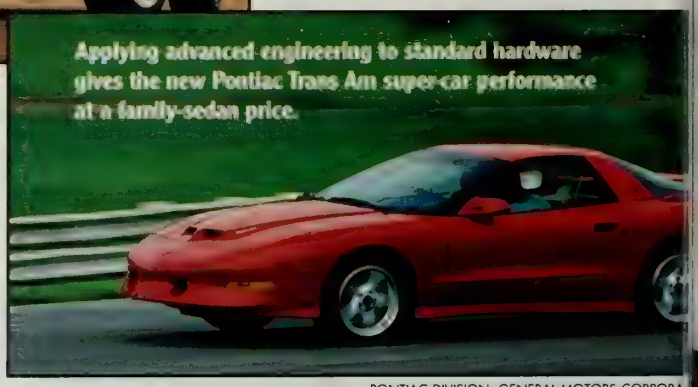
SIMPLE HARDWARE MADE GREAT

The heart of any sports car is its engine, and the 5.7-liter V8 under the hood of the Trans Am is a fascinating mix of proven hardware and innovative updates. The basic engine dates back more than 40 years. It is a simple overhead-valve, pushrod design, one that has powered millions of ordinary sedans and light trucks.

Using the very latest knowledge about how engines turn air and fuel into horsepower, engineers at GM Powertrain have tweaked things here and massaged things there, resulting in power and reliability the designers of the original engine could not have dreamed of. They analyzed everything from the Ram Air scoop on the hood to the tip of the exhaust pipes, using powerful computers and sophisticated instruments. Through a thousand subtle improvements, they increased air flow to the point where the engine generates 305 horsepower and 335 foot-pounds of torque, among the highest output of any mass-produced auto engine.

FORD MOTOR COMPANY

Not to be outdone by Pontiac and Chevrolet, Ford has developed two hot versions of the popular Mustang, including the 305-hp Cobra.



Applying advanced engineering to standard hardware gives the new Pontiac Trans Am super-car performance at a family-sedan price.

PONTIAC DIVISION, GENERAL MOTORS CORPORA

Sophisticated computer controls on the engine help keep it running efficiently day after day, reducing exhaust emissions to an almost-negligible level throughout the life of the car. Driven gently, the Trans Am will even turn in fuel economy of well over 20 mpg, proving a performance car doesn't have to be a pig at the pump.

The rest of the Firebird follows the same philosophy. While the body and chassis assembly are stamped from ordinary sheet steel, extensive computer analysis assures that the finished structure is as light and stiff as possible. The suspension and braking systems are also based on simple, proven hardware. But every part has been analyzed again and again to make sure it is the best possible design—within the tight budget constraints demanded by the Firebird's modest price.

This approach even benefits those whose pocketbooks or insurance rating won't tolerate a 305-horsepower Trans Am. The Firebird and its sibling, the Chevrolet Camaro, offer as standard equipment a 200-horsepower V6 that was developed for use in family vehicles like the Buick LeSabre and Chevy Lumina Minivan.

Like the V8, the V6 is an older design that has been updated using the latest design techniques and computerized engine controls. And while the idea of a V6-powered performance car may strike some as odd, don't forget that a 200-horsepower sporty car was considered state-of-the-art just a few years ago.

Ford, of course, has no intention of letting Pontiac and Chevrolet hog the glory. For 1996, Ford has shoehorned the smooth, 215-horsepower V8 from the Lincoln Town Car into the Mustang GT, and cooked up a 305-horsepower Mustang Cobra using the potent V8 from the Lincoln Mark VIII.

For anyone who wants to have some fun on a budget, this technology trickle-down is nothing but good news.

We're Going Into Overdrive

The automotive market is constantly changing gears. To keep up you need a marketing partner who can do more than just follow the shifting consumer profile. You need someone who can lead change. You need The Polk Company.

No marketing company provides the kind of exhaustive insight that Polk offers. We are quite simply, the standard bearer for the industry. With the shear power of seventy years of consumer research including 300 million questionnaires distributed annually, 20,000 door-to-door interviews conducted daily and the most thorough and detailed analysis available, we provide a wealth of information that is second to none. And the marketing experience to make it work for you.

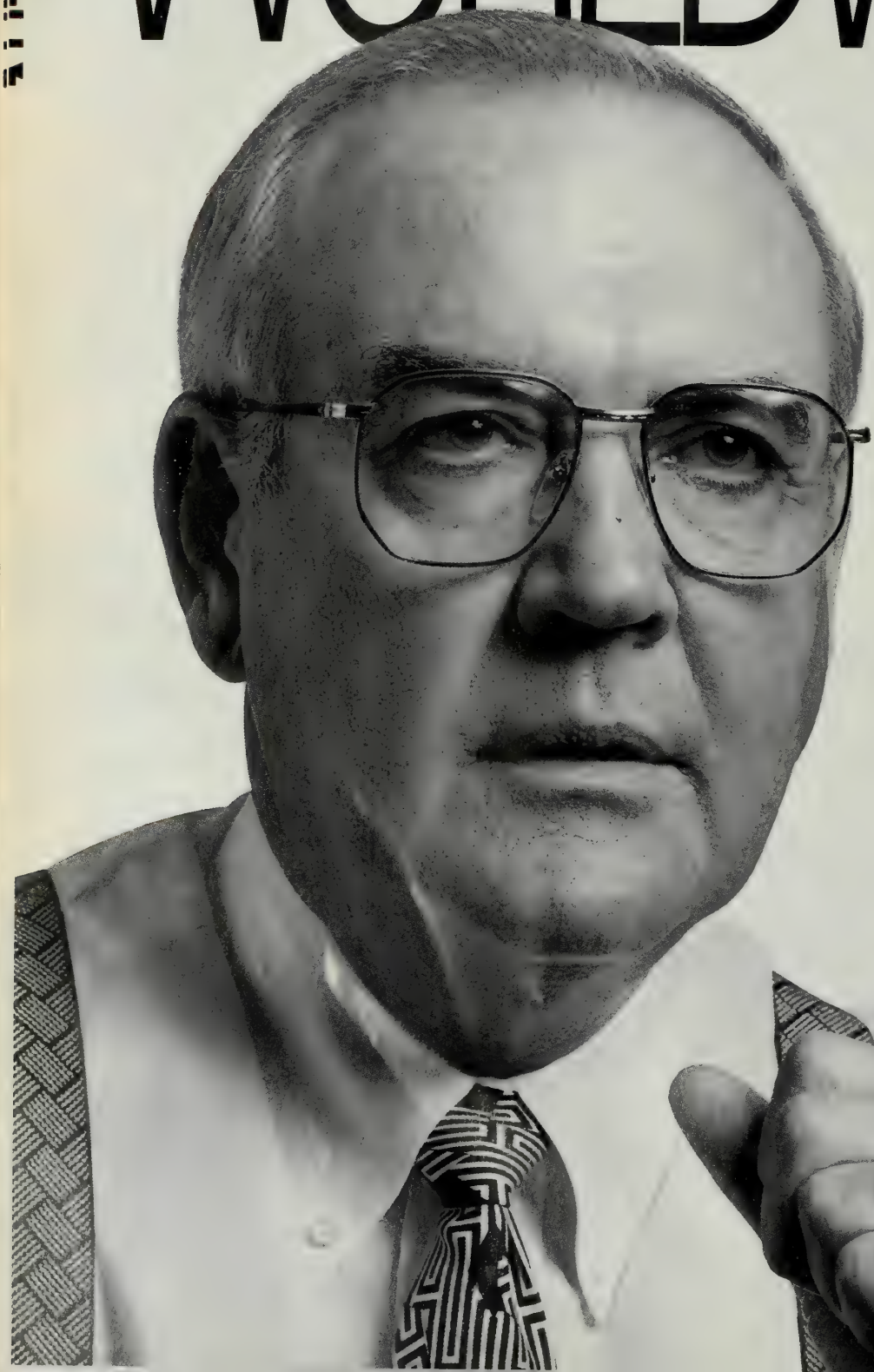
The Polk Company not only provides in-depth profiles of consumers by car, make and model, we complete the picture with in-depth demographic and psychographic input. And to assure our clients receive the most comprehensive information available, we follow trends of the past and forecast needs for the future.

Polk research and analysis can drive your business in endless ways. We can give dealers vital information for market representation. We utilize detailed sales records to control inventory, forecasting which replacement parts need to be stocked. We track volume by make and model to aid in employee training. We can even follow warranty records, creating sales and extension opportunities.

Why follow trends when you can forecast them? Get in the fast lane with The Polk Company.

POLK

WORLDWIDE



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Engine Gr

WORLDWISE.

ere is no doubt about the direction of TRW's automo-
e business. We are going where our customers go.
W supplies every major auto manufacturer from
nts in every vehicle-producing region of the world.
W is worldwide. But in our capital-intensive business,
rldwide is not enough. We need to keep our factories
ductive through fluctuations in local and regional
nomies — what TRW calls being "region neutral."

To implement this region-neutral strategy, we have re-
gineered facilities to reduce costs and expand capacity
high-potential products. We are working with our cus-
ners to standardize base product designs that meet their
que needs. We are embracing flexible manufacturing
l lean production techniques. And we are aggressively
naging capacity and equipment utilization.

We can react quickly and cost-effectively to local
nomic swings and customer requirements. For
tance, we can supply our European customers with
ering systems from the United States and our
anese customers with engine components from
rth America or Europe.

TRW, with its worldwide subsidiaries, is the leading
bal supplier of steering and suspension systems,
engine valves, occupant restraint systems, and many
automotive electronics products. We will continue to
be a tier-one supplier as our customers pursue emerg-
ing markets including China, India, Malaysia, Thailand,
South America, Mexico, and eastern Europe.

TRW GLOBAL AUTOMOTIVE FACILITIES

	North America	South America	Europe	Asia Pacific	TOTAL
Electronics	9	1	8	1	**19**
Occupant Restraints	15	1	8	1	**25**
Steering & Suspension	15	1	13	7	**36**
Engine Components	7	3	7	4	**21**
TOTAL	**46**	**6**	**36**	**13**	**101**

TRW's global automotive business is positioned for sustainable, significant growth in sales and earnings.

Productivity throughout our automotive businesses is up by 25 percent. Our customer satisfaction is up. And we are winning new business. To continue to grow profitably, I believe we are doing the right things and are exactly where we have to be — everywhere.

Automotive. Aerospace. Information. Innovation.

TRW

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W Inc., 1995. TRW is the name and mark of TRW Inc.

AUTOMOTIVE INNOVATION

LEASING INNOVATIONS CONTINUE TO MULTIP

Not all automotive innovations involve body panels or powertrain parts. Companies that deal with what's called the non-product side of the business have been as busy—if not busier—than those that build the actual vehicles. Leasing continues to be one of the hottest areas for innovation. One example is SmartCare, the latest product from GMAC.

SmartCare combines a GMAC SmartLease with a zero-deductible GM service contract that covers most or all of the service costs during the lease period. The idea is to give the customer a single monthly payment that covers most of the costs of driving the car, except for gas, insurance and parking tickets.

GMAC offers three levels of coverage. The basic SmartCare program covers oil, filters, lubrication and tire rotation, as recommended by the manufacturer. The second, SmartCare Preferred, adds coverage for all other scheduled service. The third, SmartCare Gold, also covers replacement of certain wear items like brake pads and coolant hoses.

SmartCare is available for the same time/mileage periods popular with most leasing customers—12 months/15,000 miles, 24/30,000 or 36/45,000. Customers can have service work covered by SmartCare done at either a GM dealer or an independent shop, though having work done outside the GM network requires filing for reimbursement.

The idea of SmartCare—to eliminate yet another hassle of driving a car—continues to appeal to more and more customers. GMAC reports that leasing has become especially popular with younger drivers, those born between 1960 and 1976.

GMAC research indicates that lower payments are a major attraction for these younger drivers. But they also like the convenience of leasing. They use the vehicle during the most worry-free period of its life, when repairs are few and even the basic warranty covers most of the costs. Then they turn in the car when they are done with it.

Psychologically, younger buyers seem to have less need to own a vehicle than their elders do. In fact, GMAC reports that many view ownership as a pain rather than a pleasure.

There is some indication that people also lease to avoid the haggling that goes with buying a vehicle. However, those who like to haggle will get a boost fro new leasing disclosure rules.

These will require the lease compa to reveal the capitalized cost of the ca figure roughly comparable to the purch price. Knowing this, the leasing charg and the residual rate should help a cus tomer negotiate more effectively. The r disclosure rules take effect in several large states this year, and there is talk a federal disclosure rule as well.

The theory is that customers will be better able to comparison shop if they know more of the figures behind the le

Leasing continues to be popular with those who want a no-hassle driving experience. Lease companies such as GMAC compete to develop attractive new leasing programs for cars and light trucks.

But in a world where customers seem eager to roll more and more of the cost c driving into a single, no-hassle monthly payment, haggling over a lease may prov the exception, rather than the rule.

AUTOMOTIVE INNOVATION

KEEPING CUSTOMERS LOYAL

Today's vehicle buyers are an unpredictable group: Only three in ten new-vehicle buyers remain loyal to the same brand, and only two in ten stay loyal to the same dealership.

But carmakers in the know are challenging the odds—and winning. They have access to key information that helps them predict which consumers are going to remain loyal and which ones are most likely to switch brands.

To get their hands on this inside information, they are turning to Detroit-based R.L. Polk & Co., an industry pioneer that earned its leadership position by collecting vehicle-registration data and transforming it into sound marketing intelligence. Polk has developed several new diagnostic tools that are helping players in the automotive industry better understand the marketplace and hang on to their share of the market.

Polk's Automotive Loyalty Product Line is a collection of products and services aimed at providing in-depth customer-loyalty intelligence for a full spectrum of industry data users, including manufacturers, dealers, regional managers, agencies and media personnel. These products offer precise intelligence on auto-buying patterns of both loyalists and defectors, down to the individual household level.

"These products can identify actual causes for brand loyalty and defection by examining the past experiences customers have had with different vehicles and dealerships," says Robert M. Shapiro, senior vice president for Polk's product management and marketing division.

Karen Piurkowski, managing director of survey research products, adds, "Especially noteworthy is Polk's ability to identify a particular household's likelihood for being brand loyal or disloyal *before* they purchase a vehicle. This knowledge provides actionable information so industry personnel can target key messages to consumers before they purchase."

Like most of Polk's products, the loyalty products start with information gathered from state motor-registration files and similar sources. By tracking registration from year to year, Polk can tell when a household changes vehicles, what kind of new vehicle was purchased or leased, and what kind of vehicles were previously owned in the household.

Since Polk's loyalty reports are compiled from actual motor-vehicle transactions, it provides a surprisingly solid picture of year-to-year changes in the market. To help further examine the reasons for consumer loyalty and defection behavior, Polk follows up with consumer surveys that help identify reasons behind the marketplace behavior.

The products are packaged in a variety of ways, depending upon the needs of Polk's customers. To paint the big picture, Polk compiles an Automotive Loyalty Activity Report, which identifies loyalty and defection figures for every manufacturer. This report allows for cross-industry comparisons of loyalty figures by manufacturer, brand and individual models.

Further analysis yields Polk's Automotive Loyalty Clustering System, the first of its kind in the automotive industry. This system identifies households likely to remain loyal or defect based on past new-vehicle buying behavior. Its purpose is to help dealerships and automakers more effectively target promotions and advertising by providing details on household loyalty and defection behavior, preferences for manufacturer and dealership treatment, media habits and lifestyle characteristics.

Those who use this marketing intelligence—and use it well—will stay at least one giant step ahead of the competition, enabling them not only to maintain their slice of the pie, but also to gain a bigger portion of it.

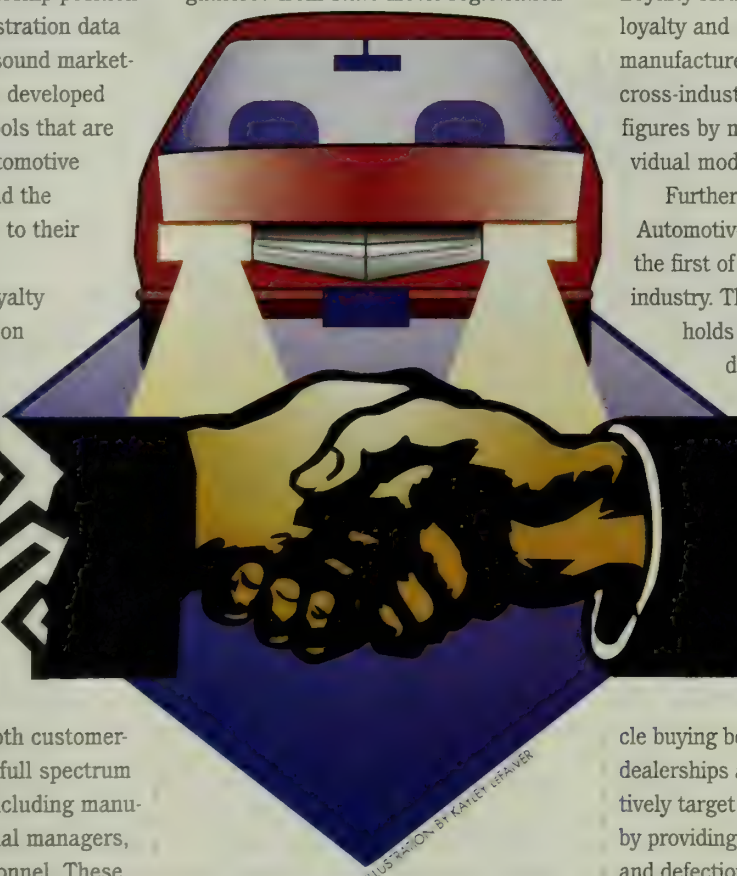

ILLUSTRATION BY KAYLEY LEAVER

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Parker

Partnerships In Engineering Excellence

Parker Supports Oshkosh in Creating a Truck That Pours Solid Profits

For all those children who have dreamed of growing up to build trucks — big trucks — the almost 1,600 employees of Oshkosh Truck Corporation are living that dream. Oshkosh, based in the Wisconsin city of the same name, manufactures heavy-duty specialized trucks, transportation equipment and components for commercial and military customers. You've probably noticed Oshkosh vehicles with their distinctive logo on the front. Their signature designs are perfect for removing snow from highways and airport runways, speeding to an airplane crash for immediate discharge of fire-suppressing agents, or the demanding task of delivering ready-mix concrete to construction sites.

The Oshkosh S-series forward-placement concrete carrier maneuvers into tough spots easily and gets the job done faster.

In fact, Oshkosh engineers, with support from Parker Hannifin, designed a specialty truck that's revolutionizing the ready-mix industry. The Oshkosh S-Series forward-placement concrete carrier gives ready-mix concrete suppliers a new standard for the way their business is conducted. The truck's superior maneuverability makes extensive site preparation unnecessary, and since the operator drives the truck forward into position for the pour, the field of vision is significantly improved. As a result, a smaller site crew can handle the work efficiently, keeping valuable employees on other tasks.

Oshkosh engineers collaborated with Parker's de and manufacturing experts to create the high-tech com nents needed for such a vehicle. Engineers from b companies worked together to develop critical com nents that allow the S-Series to make more accu pours with a higher discharge chute and assure safest possible operation using chute and mixer cont mounted inside the cab. Product and profitability are increased thro improved over-the-road stab and maximization of legal loads the LOAD-SPAN® tag axle, u on bridge formula trucks. Par extends such expertise to numer Oshkosh design and enginee challenges. From hoses, fittings valves to advanced-design air b hamesses, connectors and coup Parker supplies Oshkosh with quality parts and engineering industry leader requires.

It's this kind of engineering port that allowed Oshkosh to crea vehicle that's as reliable as it is t nologically advanced. The S-Se concrete drum and charge hop constructed with super-tough alloy steels, reduce ma nance and deliver longer life. The concrete disch chute is nearly 22 feet long and allows the truck to further from deep excavations for increased safety, the front-discharge design allows the vehicle to m closer on tough projects like the construction of a l wall foundation. Sophisticated hydraulics and pneum provide for high-performance braking and steering.

But such engineering marvels are commonplac Parker Hannifin. Companies from around the world - automotive, industrial and aerospace industries — also on the innovation and dependability of Parker techno components and systems. Serving more than 300 customers in more than 1,200 markets, Parker Har consistently delivers the industry's highest support service needed to keep companies such as Oshkosh T on the leading edge of innovation.

For more information about how Parker Hannifin help your company overcome demanding engineering design challenges, call 1-800-C-PARKER.

Parker and Oshkosh drive into the future on all wheels

Reliable hydraulic technology from Parker Hannifin helps vehicles perform efficiently, cleanly and safely on the world's highways. And when the job demands it, we also head off-road with top companies like Oshkosh Truck Corporation.

Oshkosh, led by Chairman and CEO Gene Goodson, is one of the world's leading makers of specialized trucks and transport equipment – vehicles as reliable in two feet of mud as on two lanes of blacktop. Goodson is a scientist and engineer by training, so he knows the importance of design efficiency in every detail.

Parker worked closely with Oshkosh design engineers to create the most efficient and economical hydraulic systems for many of their vehicles. Parker also trained Oshkosh hydraulic assemblers in leak-free technology and continues to back them with parts and service from its distributor network.

Premier customer service like this has helped make Parker Hannifin a $3.2 billion-per-year leader in the motion-control industry. For more information, write for our annual report: Parker Hannifin Corporation, Dept. F-105, 17325 Euclid Avenue, Cleveland, OH 44112-1290. For product information, call 1-800-C-PARKER (1-800-272-7537).

A partnership in vital technologies

Parker

PH-NYSE

AUTOMOTIVE INNOVATION

LOOKING TO THE FUTURE

Perhaps no innovation has the potential to change the automotive landscape quite so much as the electric vehicle (EV). Spurred by a mandate that would require carmakers to start selling EVs in California in the 1998 model year, the world's carmakers have rushed ahead with development of electric cars and light trucks.

Even if the California mandate is delayed—a likely scenario, thanks to Governor Pete Wilson's emergence as an anti-regulation presidential candidate—EVs will soon trickle onto the roads in the U.S., Europe and Japan.

The major remaining hurdles are batteries and budgets. Despite a major effort by carmakers, battery companies and others, a battery pack that can offer the driving range of a couple of gallons of fuel is still far in the future. As a result, EVs will be best suited for short-haul use, as in utility and delivery fleets.

TOYOTA MOTOR CORPORATION

Toyota's EV-50 electric vehicle is based on the RAV4. Fleet tests this year will help determine whether ordinary drivers can live with the limitations of electric vehicles.

Also, due to their high technology and small production runs, first-generation EVs will be expensive. The original thought was that government would jump-start sales of EVs through heavy subsidies. Budget crunches in California and elsewhere now make that unlikely.

Like many other carmakers, Toyota is hard at work on a practical EV. Introduced two years ago at the Tokyo Motor Show, Toyota's EV-50 has moved quickly from show car to engineering test bed. The company is set to start a one-year program, similar to one now under way at General Motors, to test the practicality of its EV-50.

The EV-50 is a two-door, four-seat vehicle based on Toyota's new RAV4 sport/utility vehicle, which is now being introduced worldwide. Two types of batteries are being tested: conventional lead-acid cells like those used to start conventional cars, and nickel-metal-hydride (NiMH) batteries similar to those that power many laptop computers.

The batteries are arranged in a flat pack and mounted under the floor of the EV-50, giving the vehicle a low center of gravity for stable handling and providing the maximum possible passenger space.

The permanent magnet motor is transversely mounted under the hood. A one-speed transmission provides Park, Reverse, Neutral and Drive. Like most electric vehicles, the EV-50 has two braking systems, a conventional hydraulic system and a regenerative system that turns the motor into a generator during braking, thereby recharging the batteries.

Further energy savings are offered by a solar-powered ventilation system that automatically cools the interior when the vehicle is parked. The cooler interior reduces load on the air conditioner. Battery power is so precious on EVs that skimping on the a/c or heater yields a significant improvement in driving range.

Even with all these tricks, the range of the EV-50 is modest. Toyota says it can travel nearly 70 miles under urban driving conditions and can go more than 150 miles at a steady 25 mph. Its top spee over 70 mph.

Other automakers claim similar sp and range for their first-generation EV And there is some indication that such performance might please a significan minority of drivers.

Toyota will embark on an in-depth gram to find out how many people wo be happy with the limits of an electric vehicle. The company will place EV-50 with a number of utility companies arc the country, which will loan them to cu tomers. This will allow ordinary driver push the vehicles to the limit under ex ordinary circumstances, such as the gr locked freeways of L.A. or the freezing winters of Detroit.

Like other car companies, Toyota h concerns about the practicality of elect vehicles. Battery technology may not h evolved to the point where even EV fan will be happy with the storage capacity, longevity, cost and rechargeability.

Recharging stations are few and fa between. Rapid recharging requires lot of amperage and a special charger. Running out of power means a wait: E quick-charging an EV takes several ho Hot and cold climates hurt battery perf mance, and the air conditioner and hea can consume a significant percentage c battery power. Finally, recycling remai question: Lead-acid batteries are now s cessfully recycled in modest volumes, b others, like sodium-sulfur or nickel-cad um, pose significant environmental risk

Toyota is concerned that premature introduction of EV technology could cre ate a backlash that might adversely aff future introduction of EVs or other zerc emission vehicles.

Even if the California mandate is delayed and the introduction of EVs begins with a trickle rather than a jolt, Toyota and others will push ahead with development as part of overall research into new materials, manufacturing and propulsion technology.

The audio interior you want is as close as your Ford dealer.

1996 Ford Taurus

Although your new Ford Taurus may come with all the performance and safety features you want as standard equipment, there is still a choice to be made as to which sound system is right for you. There is no better place to shop for your sound system than your Ford dealer. All Ford sound systems are designed to match the acoustics of your new Taurus. From an optional factory-installed CD player to our ultimate Premium Sound System, a Ford Electronics sound system is designed to give you more enjoyment per mile.

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ELECTRONICS
TECHNOLOGY WITH A PURPOSE®

AUTOMOTIVE INNOVATION

SEARCHING FOR NEW WAYS TO SELL CA

The widespread availability of personal computers and the revolution in communications technology will have a major impact on the way people shop for cars. But things are changing so fast it's impossible to figure out what that impact might be.

CARS ON DISK

Hoping to capture the attention of affluent computer users, car companies have been rushing to provide electronic versions of the familiar dealer sales brochure, either on floppy disks or CD-ROM. At last count, at least six carmakers offered some sort of computerized car information. Magazines like *Car and Driver, Automobile* and *Popular Mechanics* also have rushed computer-based new-car guides onto the market.

These efforts are, at best, a modest success. Computer video is still a poor alternative to car commercials on a big-screen TV. And on-screen catalogs lack the expensive look and feel of a good dealer brochure.

Still, computer technology will continue to improve, and carmakers and publishers will continue to find new ways to put car information onto computer media.

CARS ON THE NET

A still more revolutionary transformation could be in the works, thanks to the Internet. Like all revolutions, this one will have its winners and losers. And the losers could include some carmakers and dealers.

As a replacement for dealer catalogs and other sales tools, the Internet seems even less promising than CD-ROM. Transmitting photos or video over any commonly available modem is an excr atingly slow process, and the quality f far short of even third-rate still photography or TV.

As a retailing tool, however, the Internet could redefine the dealer/customer relationship. Using the Internet, dealer can connect with potential customers in a wide geographic area and vide them with detailed product inform tion—including price quotes—without customer ever entering the showroom. Groups of dealers are already explorin this strategy in technology-rich areas l the Pacific Northwest and Silicon Valle

But easy access to information on t Internet could eventually fos vicious price-shopping, er ing profit margins for dea ers and carmakers alike. Right now, carmakers are counting on profitable de ers to provide the service that customers demand. Widespread use of the Internet for price shoppir could throw a mo key wrench into t strategy.

Again, it's too early to predict h this will shake ou but for automakers, dealers and customers, it's going to be an exciting time.

Using the Internet, a dealer can connect with potential customers and provide them with detailed product information without the customer ever entering the showroom

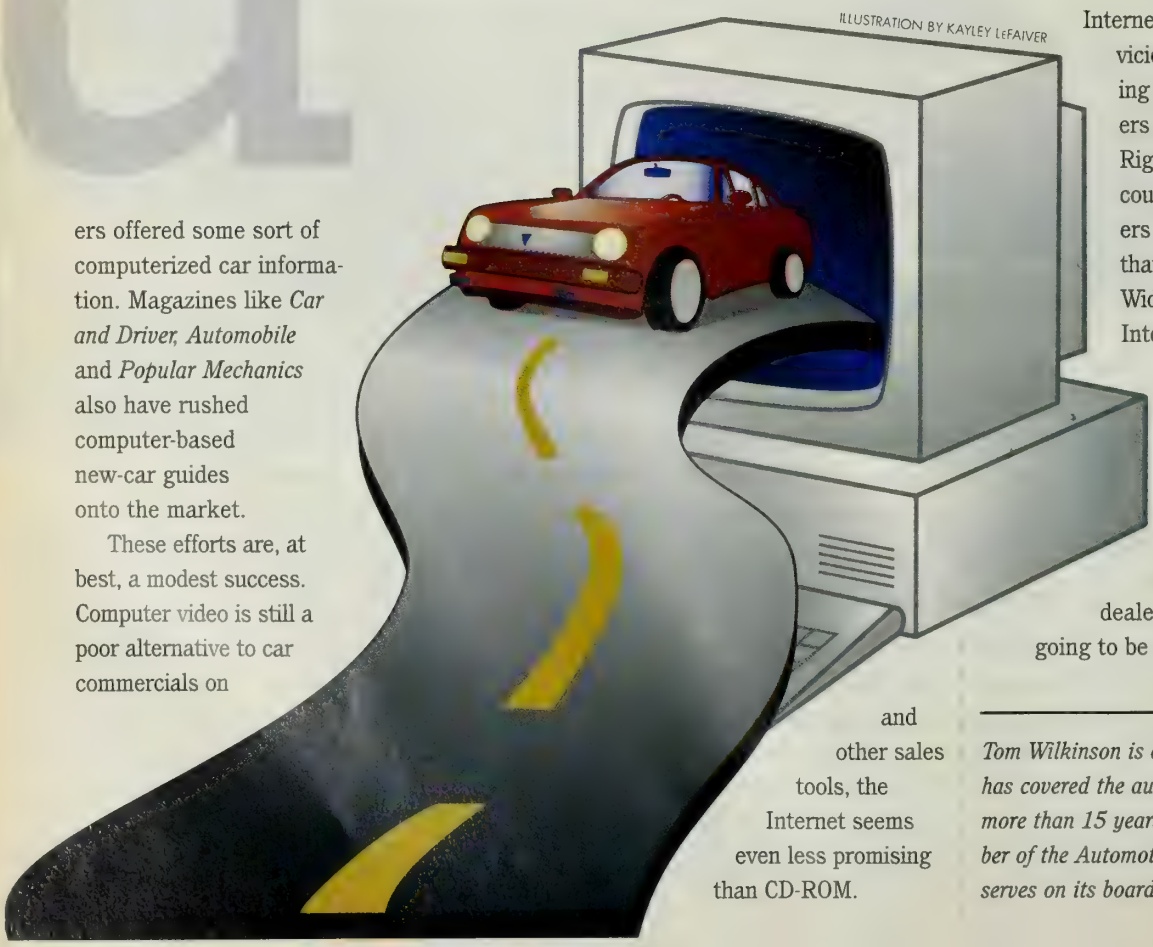

ILLUSTRATION BY KAYLEY LEFAIVER

Tom Wilkinson is a Detroit-based writer w has covered the automotive industry for more than 15 years. He is a founding men ber of the Automotive Press Association a serves on its board of directors.

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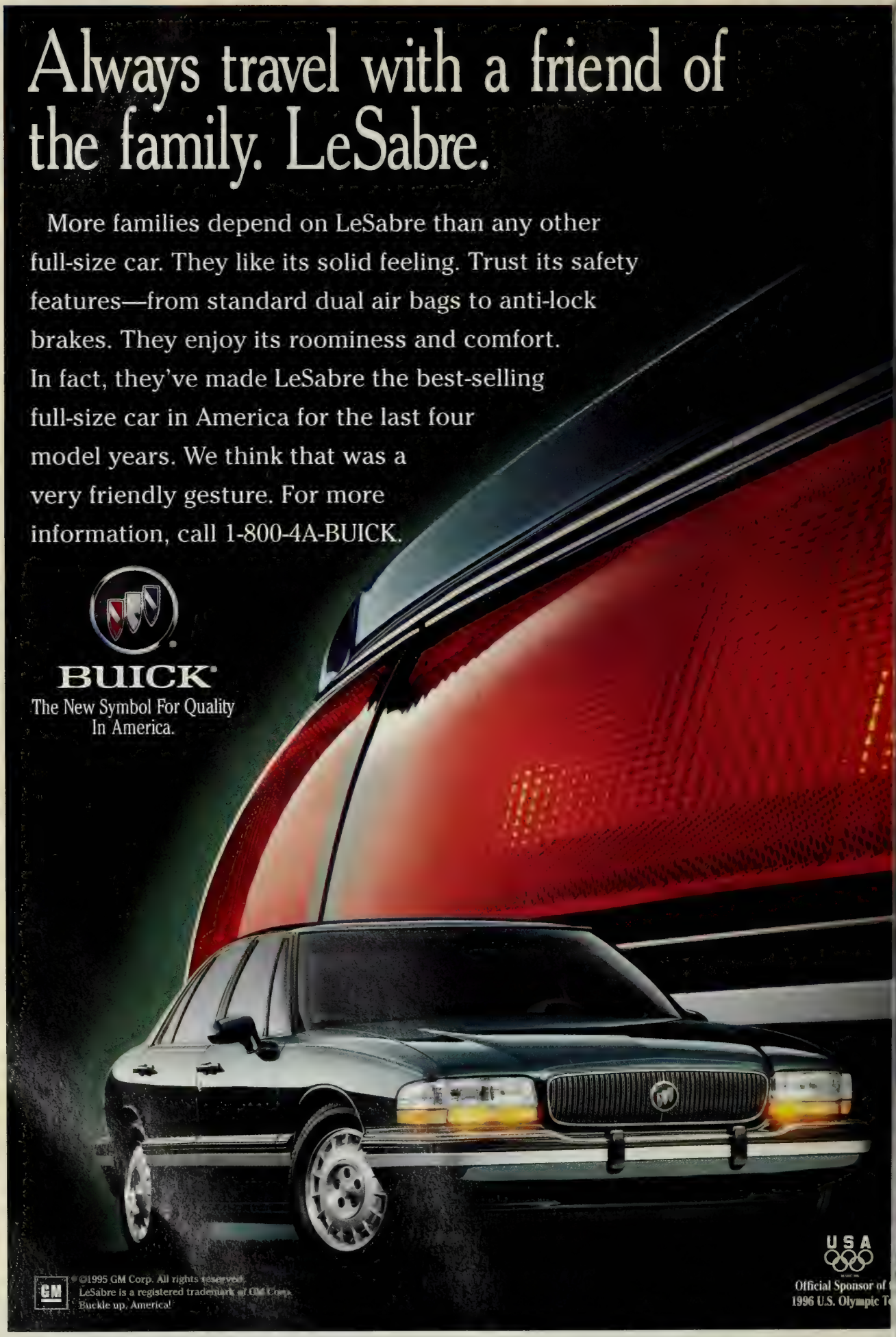

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n this story, life surpasses art: What a John Steinbeck character couldn't do, Bruce Church did.

Salad in a bag

By Seth Lubove

Philip Silverman

agging Fresh Express' ready-to-eat salads in Salinas, Calif.
he successful result of an idea that refused to die.

IN JOHN STEINBECK'S classic *East of Eden*, Adam Trask tries to use ice to preserve and ship lettuce by rail to New York from California's Salinas Valley. The train carrying the lettuce hits warm weather in the Midwest. Alas, the crisp green stuff is a soggy slop when it gets to New York.

What the fictional Adam Trask couldn't do in 1915, Bruce Church and his descendants, the Taylors and the McNamaras, did with Salinas-based Fresh International Corp. And they took the idea one step further, shipping not just lettuce but ready-to-eat salads.

Bruce Church was a pioneer Salinas lettuce grower; his wife attended Salinas High School with Steinbeck during World War I. A gambler and a risk-taker, Church was one of the first growers to use ice successfully to preserve and ship fresh lettuce from Salinas. When he died in 1958, Church passed the reins of his company to his son-in-law, Edward (Ted) Taylor.

A tough businessman who often clashed with the United Farm Workers, Ted Taylor also inherited his father-in-law's interest in developing new technologies. In partnership with Whirlpool Corp. during the 1960s, Fresh International developed a system that used a mixture of nitrogen, oxygen and carbon dioxide to modify the atmosphere in an enclosed space and slow the rate at which chilled fruits and vegetables decompose. Taylor's systems are still widely used in transporting strawberries and other fresh produce.

Ted Taylor dreamed of reducing his dependence on the commodity produce business. He wanted to put a serving of salad in a bag that would stay fresh for several weeks and market it under a recognized

brand name—Fresh Express.

Any biochemist can tell you this is no easy task. Once it's cut, lettuce, like any plant, breathes in, or "respires," oxygen while giving off carbon dioxide, water and heat. Left in the open air, the lettuce will respire as much oxygen as it can get, speeding up its own decomposition. The preservation trick is to control the plant's rate of respiration, slowing down the lettuce's intake of oxygen.

Taylor's initial experiments during the early 1980s with putting salad in a bag were a mess, literally. The bagged salads would often heat up on the retailers' shelves, turning into what Taylor's son Steve, Fresh International's current head, calls "schmoo." He remembers his father bellowing at Fresh International's managers: "This country built Liberty ships in 30 days and you [expletives deleted] guys can't get lettuce in a bag!"

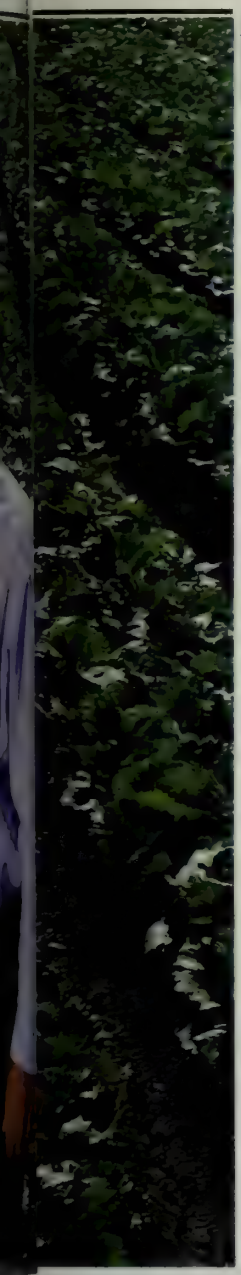
The problem was that in using standard plastic bags, the scientists couldn't regulate the lettuce's respiration inside the bag. So they developed (and patented) their own bag, which allows more of the lettuce's carbon dioxide to be released than oxygen to get in. Nitrogen is injected into the bag to displace the oxygen, thus slowing the rate at which the greens decompose.

Dubbing Fresh International the "Pioneer in Packaged Salads," Ted Taylor started selling his Fresh Express bagged salads in 1989. With more consumers looking for convenience and healthy foods, the salads were an immediate hit. But in 1991, just as he was about the see his salad dream realized, Taylor died, age 59, of heart failure.

Fortunately for the Taylor family, sons Bruce and Steve were ready to take over. A 1977 graduate of the University of California at Berkeley with a degree in psychology, Steve Taylor had at first balked at going into the family business. But after a few years of overseeing an inner-city ministry in Washington, D.C., Taylor decided he preferred business to social work. He picked up an M.B.A. from Harvard in 1985, briefly ran a small restaurant in Los Angeles and joined his father at Fresh International in 1987. His younger brother Bruce also worked for the company but left last year because he thought Fresh International should pay more attention to his grandfather Bruce Church's original lettuce farming business. Regarding commodity lettuce growing, Steve Taylor scoffs: "It's a pretty stupid business."

Steve Taylor, now 40, says total sales of privately held Fresh International should be about $450 million this year. Of that, sales of the company's washed and premade salads will account for over $350 million. Despite competition from big Dole Food Co., Fresh International has a leading 40% share of the packaged-salads business. At an estimated $800 million in retail revenues, the bu ness is about half as big as the mar for whole lettuce, but it's growi much faster. Consumers like bagg salads because there's less waste a less fuss: no washing or dryi required.

The retailers like the product, t Gross margins on bagged salads approximately the same as on head lettuce, around 40% to 55%. I whereas a head of lettuce typic retails for 99 cents, an easy-to-st bag of salad goes for anywhere fr $1.29 to as much as $2.99 for a fa Mexican salad consisting of iceb lettuce, carrots, cheese, tortilla ch



Fresh International's Steve Taylor **Regarding commodity lettuce growing, he scoffs: "It's a pretty stupid business." His younger brother thought otherwise.**

and sour cream salsa dressing—more money, in short, per sale and per foot of selling space.

Reflecting the success of bagged salads, many retailers are installing new and separate coolers for salads and other precut and prewashed vegetables. What's next? Fresh International is looking at fruit salad combinations such as melons and strawberries, as well as sliced chicken salads.

In *East of Eden*, someone tells Adam Trask: "Let your damned [refrigeration] idea die. Kick dust over it." It's always been that way: The future belongs to those who refuse to let good ideas die.

As it brings modern marketing to the wine business, the Robert Mondavi clan finds that share of market comes from "share of mind."

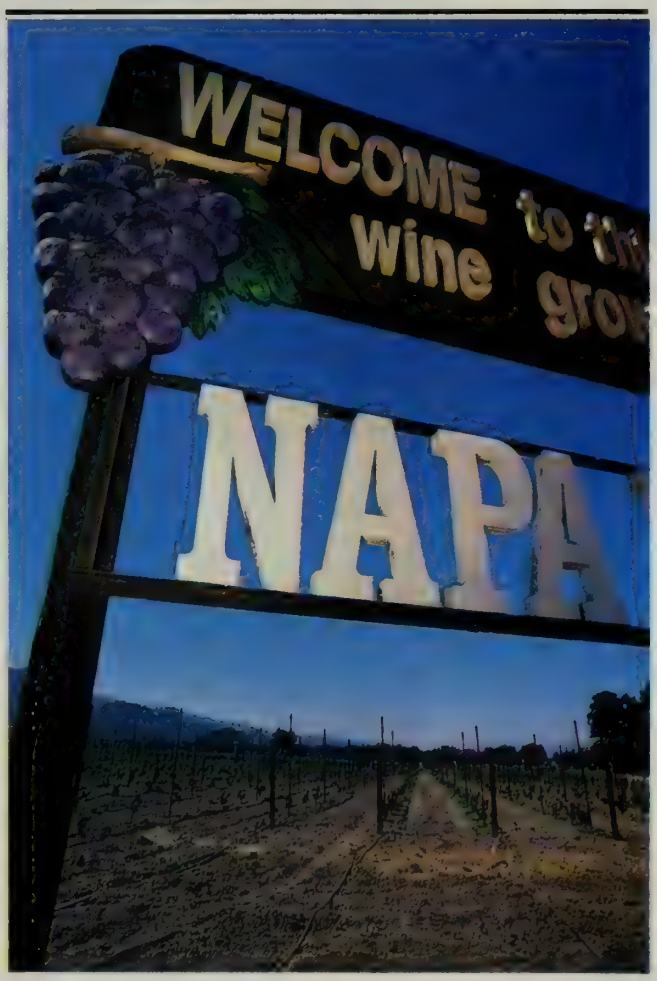
Mondavi bucks the tide

By Tim W. Ferguson

VINTNERS IN CALIFORNIA'S Napa and Sonoma valleys have been slogging hard under dark clouds the last few years. The phylloxera rootstalk infestation and vexing weather have crimped the latest harvest. This, on the heels of a grape glut and a rise in imports that saw prices of lower-end varietals sag. The California economy has been in the tank. Bank credit dried up. Consolidation talk remains as thick as the valleys' morning mists.

But, as always, what is trouble for most people is seen as opportunity by a few. In the wine business the opportunists are the brothers who run $200 million (sales) Robert Mondavi Corp., the most renowned name of modern Napa.

Four years ago the Mondavi winery



Greetings! **But Napa Valley's not so hospitable a place if you're short on grapes and have to pay spot market prices.**

was the subject of takeover speculation, its traditionally high leverage a millstone, given the pest emergency that posed a $20 million replanting obligation on top of expansion needs. But rather than sell out, the Mondavi clan went public, raising $32.3 million in new capital for the company. The Mondavis put the money to work by replanting their stricken vineyards and expanding their facilities.

Mondavi's stock tanked after the initial offering. But so much better are the company's prospects now that the stock recently bounded above $26 a share, nearly double the initial price. The company just raised $35.5 million more in a secondary offering.

Mondavi was able to avoid selling out to big liquor interests because it had two strong assets: the golden Mondavi brand name, and a super-salesman in the person of 82-year-old Robert Mondavi, the company's chairman.

More than ever a salesman and Napa Valley ambassador since his sons, Michael and Timothy, assumed day-to-day management in 1990, the senior Mondavi has long used regal showiness to engage the broader public's interest in his labels, and good wine generally. He regularly sponsors three-star culinary soirees, for example, and has teamed with Baron Philippe de Rothschild of French Bordeaux fame to produce the $60-a-bottle Opus One label. Flush with cash from the latest stock offering, Mondavi is spending $2.5 million on print ads this year to reinforce its allure.

Michael Mondavi, at 53 the winery's chief executive, has a phrase for the promotional glow his father creates: "Share of mind." He explains: "If you don't have the share of mind of the distributor, the distributor's sales rep, the supermarket manager, the restaurateur, the waiter or waitress, the odds of having your wine available to the consumer are less."

Mondavi's share of mind enhances its share of market. The vintage wines produced at Mondavi's Napa base reach a high end of the retail market, usually retailing above $14 a bottle. The margins there are great, but the segment is tiny, maybe 3% of all table wine sold in the U.S. So Mondavi has used its powerful brand name to move down into the vast $3-to-$14-a-bottle category, home to Americans acquiring a taste for varietals such as chardonnay or cabernets. This $1.5 billion (at wholesale) market segment accounts for 39% of all wine sold in the U.S.; volume here has been rising 15% a year, according to Gomberg Fredrikson & Associates, publisher of an industry newsletter.

This moving down strategy carries the risk of cheapening the prestigious Mondavi name, which appears prominently on its lesser wines' labels. But so far there's been no sign of that happening.

Grape crush; Robert Mondavi flanked by sons Timothy (left) and Michael

Keeping cachet while going for volume.

Mondavi's new bottle

It saves pennies apiece on foil wrap.

In the $7-to-$14-a-bottle segment, Mondavi last year introduced its Coastal line, grown partially on vines outside the prime Napa-Sonoma territory. Coastal should sell 450,000 cases this year, more than double last year's volume.

In the $3-to-$7-a-bottle market, Mondavi has built up its Woodbridge label, made mainly from grapes bought from the northern part of California's Central Valley. According to former Mondavi executive George Schofield, Mondavi's name on the Woodbridge label probably commands 50 cents more a bottle than Woodbridge's rivals; Mondavi keeps half that premium, the rest going to the distributors and retailers. In selling 4 million Woodbridge cases a year (ten times its Napa volume), Mondavi thus realizes $12 million in incremental cash flow—nearly $1 per Mondavi share.

That half-dollar isn't solely an image premium, notes Timothy Ramey, a Deutsche Morgan Grenfell/C.J. Lawrence analyst who follows the winery. Mondavi reuses oak barrels from its high-end operations, enhancing Woodbridge's quality with aging that most cheaper stuff lacks. Ramey estimates Mondavi will earn around $1.50 a share in its fiscal year ending next June, up 10% from fiscal 1995.

The way the consumer market works is a benefit to a high-profile producer such as Mondavi. Budget-conscious diners who've been scared off bottled wines by high restaurant markups are ordering more wine by the glass; in making these selections, label renown is the best trigger. And buying for home consumption is increasingly taking place not in a wine-

shop, where the merchant's advice often determines the sale, but rather in serve-yourself emporiums where price and brand recognition count. Woodbridge does a high 30% of its volume in warehouse club stores.

By moving down market and greatly increasing its volumes, Mondavi puts itself in need of other growers' grapes, and in a tight supply period like now, that can be treacherous. Particularly in Napa, Mondavi would like to be more self-sufficient. But paying $40,000 or more an acre for improved vineyards would strain its balance sheet.

Instead of buying vineyards, Mondavi is cutting the best deals it can as a major buyer of grapes. Mondavi's chief financial officer, Gregory Evans, says 60% to 75% of the supply for the Coastal and Woodbridge wines will be sourced from medium- to long-term contracts. After factoring in the grapes that Mondavi itself grows, that leaves as little as 5% of its total grape needs that must be purchased on the spot market, where prices for some grapes increased 50% this year.

Mondavi isn't the only concern bucking the headwinds buffeting California's vintners. A few niche producers are, too. Napa's Silver Oak Cellars is only an $11 million business, but a big name in cabernet sauvignon; it ages its wines four to five years before releasing them. Co-owner Justin Meyer says that on the release date a year ago, he sold $340,000 out the front door. "I wonder where they get the money for this stuff," he marvels of his younger customers, who pay more than $30 a bottle. Silver Oak's 44,000 cases ready for shipment this fall "already have names on them," adds Meyer.

John Schwartz, a vice president at Wente Bros. Winery, a major exporter, reports that during a September sales trip to Europe, he found a new thirst for "New World" wines among Europeans, although the strengthening dollar forced him to shave some prices.

Wine World Estates in Napa is doing well, too. Owned by Switzerland's mighty Nestlé S.A., Wine World has extensive vineyards in Napa and down the California coast to near Santa Barbara. President Walter Klenz ha rebuilt the grand Beringer name, an restored a Sonoma label of more re cent vintage, Château Souverain, t good favor. In perhaps its boldes move, Wine World used heavy adver tising (and steady winemaking) to tak over the marginal Meridian marqu and turn it into a bestselling chardon nay for $7 to $12 a bottle.

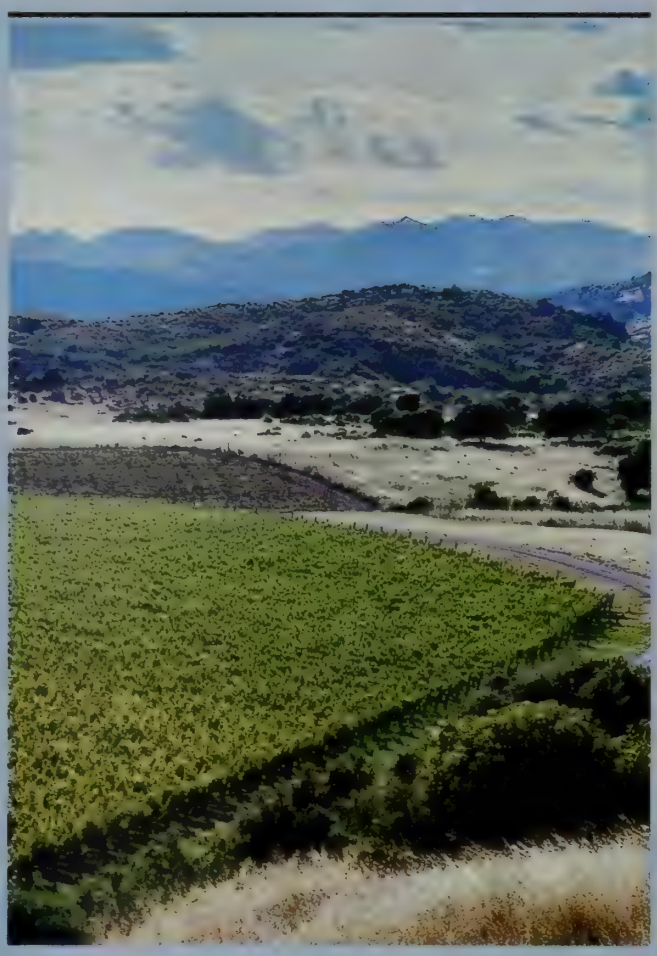
There's even a silver lining to th phylloxera scourge. Phylloxera im poses a vine-replanting obligatio that is, for some growers, a chance t uproot past errors—assuming the can raise the capital. "A $300-mil lion-to-$400-million opportunity," Klenz calls it. But the investmen pays. New vines not only resist th insects but can be planted closer to gether and produce more grapes.

In some of its replanted vineyards Mondavi is now getting over 2,00 vines to the acre, four times the ol standard. It is giving back some o that gain by growing less fruit pe vine, intensifying the grape flavors but still expects to harvest 50% to 70% more tonnage than a decade ago. ■

William Vance McLeod

Francis Ford Coppola **Hollywood shtick at an old chateau.**

Coppola's bigger show



Jarvis vineyards
A fortune sunk into a cave.

NAPA VALLEY wags like to say that winemaking makes small fortunes from big ones. The business is often an eccentric indulgence.

Hollywood's Francis Ford Coppola this year bought Napa's old Inglenook château and frontage to complete his 1,700-acre Niebaum-Coppola Estate Winery. (Gustave Niebaum founded Inglenook in 1879—the label has been under outside ownership since 1964.) Coppola's was said to be a $10 million deal, and he is putting maybe $3 million more into creating at the château such attractions as a "multimedia" tasting room (video with your vino). Displays of movie shtick, like the convertible from Coppola's film *Tucker* and Vito Corleone's desk from *The Godfather*, may bring in 200,000 visitors a year.

Also this year retired electronics entrepreneur William Jarvis opened a cave winery on a hillside 4 miles above Napa. Inside Jarvis' cavern is a waterfall and an acoustically correct cocktail chamber; a fiber-optic chandelier hangs in the ladies' room. The cave cost Jarvis $20-million-plus to create. His operation produces only 5,000 cases a year of chardonnay and cabernets. The wine draws raves and retails at $34 to $48 a bottle, but even so brings Jarvis no more than $2.4 million a year in gross revenues. Good-bye large fortune, hello smaller one.

–T.F.

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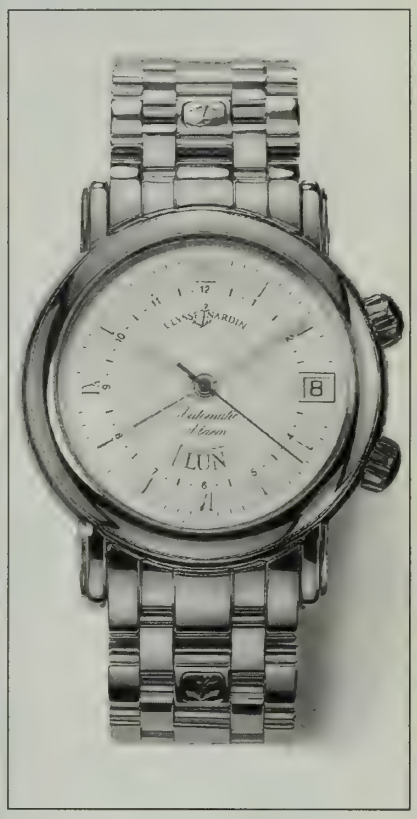
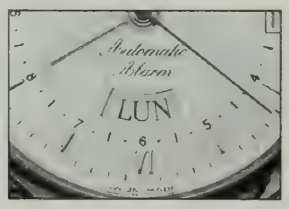


The San Marco Alarm has an automatic movement with a self-winding alarm, and a guilloché dial with day and date windows. Available in 18 K gold or stainless steel



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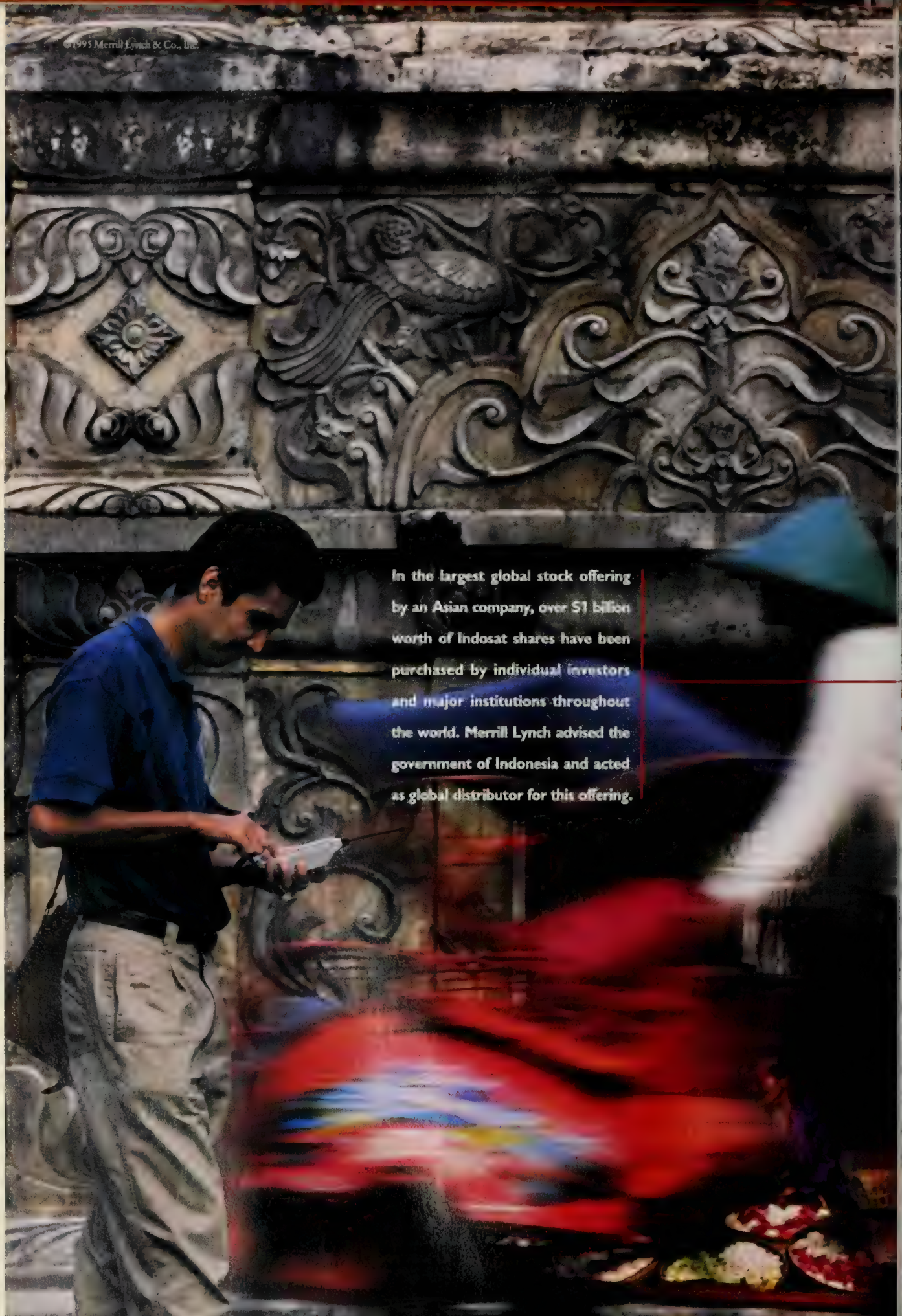

In the largest global stock offering by an Asian company, over $1 billion worth of Indosat shares have been purchased by individual investors and major institutions throughout the world. Merrill Lynch advised the government of Indonesia and acted as global distributor for this offering.

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THE DIFFERENCE

BETWEEN STATE OWNERSHIP

AND WORLD OWNERSHIP

Immense power lies in the information repositories of the Internet. How to tap it? Who will control the data? Some strange beasts are crawling out onto the Web.

Along came the spiders

By Philip E. Ross and Nikhil Hutheesing

What's the Web?

A QUICK ANSWER: The World Wide Web is a subset of the Internet consisting of pages linked by hypertext.

That definition calls for three more.

The Internet is not something you can see or touch. It has no physical presence. It is a collection of 50,000 computer networks in 90 countries. These networks share only a format for routing data from any computer attached to one of these networks to any other. Connections are made across phone lines. Home computers typically aren't part of these networks, but they can dial into one—and thus reach the entire Internet—through a service like America Online.

A Web page is a publicly available computer file stored on a computer attached to the Internet. It may consist of text, sound or graphics, and it can be a lot longer than a printed page. When you access a World Wide Web page, you ask your on-line service to fetch the file from wherever it's stored—perhaps on the far side of the globe.

The page may contain hypertext links to other pages stored at other Web sites. Click on a link and you automatically fetch that other page.

You aren't necessarily connected directly to the Web site from which you're trying to fetch an interesting page. Think of your relation to that Web site not as a two-way phone conversation but as a mail-order operation. You make a request and get a digital package by return mail.

Ideally, the turnaround is measured in seconds. On bad days it can take hours—partly because spiders *(see story)* are increasing the amount of traffic. But, pre-Internet, the same information might take weeks to reach you, assuming you could find it. —DAVID CHURBUCK

YOUR HUSBAND has just been hospitalized with a strok You want to get your hands on a book about strok patients and how to help them. The library around th corner has close to a million volumes. Surely, among the are two or three books that are exactly what you want. Bu when you get in the front door, you confront a giant mes The library has no call numbers, no card catalog, n shelving by subject. To find what you want you have t paw through the books one at a time.

We are not speaking of a conventional library with fou walls and stacks of books. This is the Internet's Worl Wide Web. You've heard a lot about it. It's a burgeonin mass of interconnected data files that stretches fro computer to computer across the globe. It is not yet, but may one day be, the repository of most of the world important commercial and scientific knowledge.

But back to our stroke information search. You kno one of the intersections, or nodes, on the Web "library houses the information—but which one? You need mor than human help; you need electronic help, and it's ou there. In Web-speak, you need the services of a spider.

These so-called spiders, software really, comb the We for new sites and for updated information on old one They bring back the data to their lairs, index it and the search the index on command.

These spiders can search for keywords in the title or th body of a digitized document—simultaneously scannin an entire universe of documents from the world's Wel sites. Better, the spiders can track down millions of cross references that crisscross the Web, saving you preciou minutes—or hours—of trips down dead ends to Web site that have nothing to do with your search. The results o that search, of files ranked by probable relevance, appea on your screen. If there's something on strokes some where out there on the Internet, this is the way to find it

Architext team (clockwise from top): Ryan McIntyre, Graham Spencer, Mark Van Haren, Benjamin Lutch, Martin Reinfried and Joseph Kraus
They claim to have the fastest spider on the Web.

It's as if your librarian snipped the index pages out of every one of the million volumes on hand, sorted them all into a master index, then constructed a master bibliography that showed which books cited which others.

No human librarian could handle this job. Software can. The best spiders now at work are capturing and indexing a million documents a day. And the Web is still tiny, in the grand scheme of things. It contains a fraction of 1% of the world's publicly available data. Roughly tripling in size every year, the Web will, in a bit more than six years, grow a thousandfold.

It will take a lot of very smart spiders to bring all this under human control.

What can a spider do for you? Now? Say you're in the market for fancy French wine. Log on to the Internet via America Online, Prodigy or one of their competitors. Call up your Web browser—provided by most commercial online services; these are the programs that enable you to specify a Web site and call it up on your screen. Type in the address *(see table, p. 214)* and when its page appears, fill in the search field with a few keywords.

Michael Mauldin, computer scientist and cofounder of Lycos
He claims to have the most comprehensive spider on the Web.

For example, try wine-hunting with the Lycos spider (address: http://www.lycos.com). We told Lycos to look for "Château Margaux." In a minute, up came a huge list of châteaux in France. Not exactly what we wanted. But one entry mentioned Margaux, and a click of the mouse there brought forth a slightly more focused assortment—a newsletter about Bordeaux, information about gay television (one TV movie starred Margaux Hemingway) and, finally, Sam's Wine Warehouse. Bingo—there you can get a case of the '93 Margaux for $590.

For now, the Web will take you only so far. You might find a bottle of wine, but you probably won't find a replacement circuit board for your gas furnace. You can't do much buying on the Internet, either. Payment mechanisms that will facilitate on-line commerce are still in their infancy.

Do the stroke search and you could locate a booklet on post-stroke rehabilitation, available free from the Public Health Service, but for one of the good books on the subject you would still have to visit a conventional library.

That's because right now the Web consists almost entirely of information that someone wants to give away—promotional material about new car models, for instance, or documents that the government places in the public domain. A separate world of information that you have pay to see is available from on-line services only loose connected to the Web. There is as yet no spider that will si through all the freebie and pay-per-view informatic about, say, General Electric as an investment, delivering menu of document choices ranked by price.

But if its present explosive growth continues, the We will in short order become a powerful medium of publisl ing, advertising and electronic commerce. Picture a vas decentralized electronic library that contains all the impo tant sales brochures, airline schedules, recall notices, dru interaction warnings, mail-order catalogs, analyst report Securities & Exchange Commission filings, Internal Rev nue Service forms, library card catalogs, repair manual movie reviews, appellate court decisions, restaurant menu and phone directories.

At that time, spiders—or whatever species into whic they evolve—will be the gatekeepers. Whose applianc dealership goes to the top of the screen when you ai looking for a dishwasher? Will spiders undercut vendors c costly legal or medical research by hunting down the sam material from public domain sources? Will they put Yello Pages ($9.8 billion a year) and newspaper classified ac (over $11 billion) out of business? Will they make

mpossible to police copyrights?

No one has the answers to these questions because spiders are so new. Dozens are at work now, funded primarily by venture capitalists. Most of them are less than a year old.

The spider business goes back to what is, in Web terms, ancient times. In 1994, two Stanford University graduate students, David Filo and Jerry Yang, were able to survey the Web using primitive software tools. Their product, "David and Jerry's Guide to the Web," was available, gratis, to anyone with access to the Internet.

The guide grew quickly—and Filo and Yang saw the commercial possibilities. By July 1994 they renamed their service Yahoo! (http://www.yahoo.com). This April, Yahoo! landed financing from Menlo Park's Sequoia Capital and incorporated. The founders used some of the money to hire human indexers to work in their Mountain View, Calif. office. Web sites submitted their addresses, and the indexers categorized them by subject. Yahoo! also employed a primitive spider to search out new Web sites. (What's a Web site? *See box, p. 210.*) That system of human indexers worked when there were a few thousand Web sites (each identified by a sort of title page called the "home page"). But now there are about 200,000 Web sites, and there's no limit to the total. With the help of Prodigy's Personal Web Pages software (among others) anybody can create a Web site.

Thus it became necessary to rely more heavily on electronic means of search. Last month Yahoo! complemented its battery of ten human indexers with a spider. The spider was a piece of software licensed from Open Text, a privately held Waterloo, Ont. firm that had originally developed its search and retrieval expertise to navigate the database of the *Oxford English Dictionary.*

Plenty of other spiders are crawling out of the woodwork. Among them are such fancifully named creations as the WebCrawler, the in-house arachnid of America Online; Carnegie-Mellon University-affiliated Lycos, probably the biggest (its name is from a scientific term for wolf spider); Open Text, affiliated with directory Yahoo! One recent University of Washington at Seattle experiment called MetaCrawler is a spider farm of sorts. It harnesses half a dozen existing spiders in parallel to give users the combined fruits of their searches.

Operators of spiders are getting, or aim to get, revenue from either advertising—shown on your screen when you use their services—or monthly fees like those charged by America Online and other on-line services.

Timothy Bray, president of Open Text **"This is the most meticulous spider—it indexes every word of the files it retrieves."**

Robert Kuttel

Venture capitalists are rushing in. Carnegie-Mellon University and Lycos cofounder Michael Mauldin, a research scientist at the university, recently sold a majority position in the company to CMG Ventures, of Wilmington, Mass., a firm that invests only in Internet-related businesses.

It's a hot sector. Netscape Communications Corp., which offers a mere browser for the Web, not a spider, has a $2 billion market value. A browser, remember, is merely a window into the Web; it doesn't have any search functions.

All these spiders can trace their ancestry to searching algorithms created for mainframe computers three decades ago. One of these was a program developed by Data Central that searched mainframes by brute force: It would inspect every character of text to find a keyword match. It was literal-minded, returning a document if an exact match was found, ignoring the document if the match was merely close, and making no judgment about how useful the retrieved item was likely to be.

Since then, database searching has become far more sophisticated. Given the right instructions, retrieval software knows that "litigate" is almost the same as "litigation." You can frame complex queries; for example, show all documents that include both "litigate" and "trust" and are dated after June 1.

Searching has become a big business for those owning such gigantic databases as Reed Elsevier's Lexis-Nexis news and legal archives; Knight-Ridder's Dialog, with its multiplicity of commercial libraries; and the Dow Jones News Service, with its Niagara of business stories. West Publishing's legal database consists largely of court opinions; its immense value lies in how West has made those uncopyrighted words accessible to lawyers. Lexis-Nexis and West have their own searching methods; the others use software from companies like PLS (Personal Librarian Systems).

Lexis-Nexis stores 746 gigabytes, or 746 bill n characters, of text. That's very roughly the equivalen f 746,000 books. Dialog's mammoth cache is 6 te bytes—6 million books. By way of comparison, granddaddy of all libraries, the Library of Congress, has 6 million books and periodicals.

The Web is much smaller—now—at 70 gigs of te But that could cease to be the case as soon as five ye hence, by which point, predicts Lycos' Mauldin, "80% publicly available information will be on the Web." keep up with the Web's phenomenal growth, the line world needs bigger, faster and brainier spiders. C glimpse of the future may be seen in the University Washington's experimental MetaCrawler. It pig backs its searches on six other services—those of Lyc WebCrawler, InfoSeek, Open Text, Yahoo! and Gala

MetaCrawler raises some knotty ownership problems strips out the advertising that some spiders display their screens to pay for their searches (which are, for no all free to users). If this sort of thing goes on on a big sc legal battles might ensue. If you take my information strip out the ad that paid for it, are you stealing from m

MetaCrawler's codesigner, Oren Etzioni, a profes of computer science at the University of Washington, s he's informed all six services of his secondary use, a none has complained of the free ride he takes. T could be because MetaCrawler is such a tiny operat for now.

Because MetaCrawler lets other computers do heavy lifting of searching, it can offer not only advantages of combined search, but also a more inte gent querying system. You can specify not mer isolated words but phrases—like "fourscore and se years"—can thus be treated as a unit, eliminating a lo false positives.

End your surfing

Name	Services
Architext, Mountain View, Calif. **http://www.atext.com**	Says it can retrieve a million pages a day. A crew of editors reviews the most interesting pages. Plans to add on-site indexing, which should speed up Web indexing.
InfoSeek, Santa Clara, Calif. **http://www.infoseek.com**	Searches the Web; also offers for-fee searches on proprietary databases.
Lycos, Pittsburgh, Pa. **http://www.lycos.com**	Claims to have mapped 90% of the Web.
McKinley Group, Inc., Sausalito, Calif. **http://www.mckinley.com**	Online since August with smart spiders preprogrammed to like some sites and shun others. Humans add some judgments.
Open Text, Waterloo, Ont. **http://www.opentext.com**	Indexes every single word. Can search for phrases, not just words. Is collaborating with Yahoo!.
WebCrawler, San Francisco, Calif. **http://www.webcrawler.com**	America Online's proprietary spider, but can be used for free by anyone on the Net.
MetaCrawler, Seattle, Wash. **http://www.metacrawler.com**	Piggybacks on other spiders, delivering very comprehensive searches. But can take up to 3 minutes to retrieve information.
Yahoo!, Mountain View, Calif. **http://www.yahoo.com**	A menu-style directory to the Internet, more like a table of contents. Teaming up with Open Text to provide search functions.

Once you have a Web browser, try out one of these spiders. For now they are free.

Why aren't the other spiders that smart? They can't afford to be, says Lycos cofounder Mauldin. Mauldin, 36, is an old hand in artificial intelligence—he designed a robot conversationalist in 1989—so he could easily produce a thinking spider. "But with our volume, I have to turn down the smarts," he says. (If your spider spends too much time contemplating whether a document is just what you want, it won't have time to go through all the documents.) "MetaCrawler will, too, if it gets much bigger."

The spiders have their hands full just gathering. A spider sends out a blizzard of calls on the Web, starting with a few well-situated servers whose files it searches either completely, word by word, or in summary fashion—say, for titles, keywords and abstracts. Most important, the spider makes a note of links to other sites. Those links fuel subsequent bursts of search and discovery, which expand outward in a widening circle of coverage, much like that of a chain letter.

The spider's helper program then swings into action. It prunes duplicated information and groups files in categories as simple as alphabetized keywords or as ambitious as "concepts." Thus, with the smartest spiders, "chip" stories might be separated into subgroups according to which of these words also occurs: "potato," "microprocessor," "wood" and "golf." The goal is to provide an index that includes all relevant documents, not just those containing the keywords a user happens to think of. But you have to be careful: If your concept gets too broad, your spider will fetch not just needles, but the whole darned haystack.

All this fetching and indexing goes on at night and in some cases during the day as well. Queries, meanwhile, come in at any time. The spider attempts to choke back the threatened information overload by ranking the answers according to probable relevance. For example, a search of the phrase "FORBES magazine" on the Lycos service brought up over 8,000 citations, of which only the first ten were displayed. The top-rated citations really did have to do with this publication. (One, in fact, directed our attention to an example of blatant infringement of our copyright.) The further down you went on the list, however, the more tenuous the connection became. For example, seven down the list was an article in *Influx* magazine about a skateboarder, Israel Forbes.

How can dumb silicon judge the relevance of a document? Today's relatively primitive spiders don't attempt to understand the language. They concentrate on certain symptomatic features of it. Grade a keyword match by word proximity, and the connected phrase "bull market" will outrank a citation that mentions a bull in the second paragraph and a farmer's market in the twenty-second. Location may be another good criterion: A citation in the title or in the abstract will outrank passing references in the body of the text.

Then there's the prominence of the site itself. Spiders judge a Web site by its connectedness to other Web sites, much as people judge patents and scientific papers by the number of times they are mentioned in other papers' footnotes. Lycos counts 1,629 pages that refer to IBM's home page (http://www.ibm.com). And yes, that home page could be pretty important if you use IBM products—or are hunting for a job with the company.

Isabel and Christine Maxwell of the McKinley Group
Their spiders are choosy, retrieving only what human reviewers think customers want.

Some shy Web site operators are trying to hide from spiders because the creatures consume time that other users may want. For the spiders to work, they have to download much or all of the contents of a site. If a site has tens of thousands of documents, as some do, then spider requests can clog its computer, making it impossible for human users to get in. But that's becoming less of a problem—spiders that go too deep into a Web site risk getting lost, and the smarter spiders try to avoid this. Also, antispider techniques include sequestering information in files no spider can enter without the appropriate password, or watching for multiple requests and banning the pests.

If all this suggests a certain anarchy on the Internet, that's the way the Internet was intended. This loose confederation of data files traces its origins to a 1960s Defense Department system for decentralizing computing power, to make the country more impervious to nuclear attack.

But there had to be some links. In 1989 Timothy Berners-Lee, a researcher at CERN, a high-energy physics laboratory in Geneva, proposed a system for adding hypertext to the Internet. With this linkage between computers, a user connected by phone line to, say, a physics database on a computer in Geneva could instantly hop to a related database in Los Angeles, merely by clicking his mouse on a footnotelike cross-reference. These hypertext connections came to be known as the World Wide Web. Berners-Lee, now director of the World

Wide Web Consortium in Cambridge, Mass., was as taken aback as anyone by the success of his idea. The Web has grown from fewer than 100 sites in 1992 to a current total of around 200,000 sites.

The Web is more than gray text now. Search for the keyword "Jeep" and Lycos will give you a link to a Web page with a picture of one. Sound is becoming more common, too. And now the first dynamic Web pages are debuting. These offer continuously updated information and jerky moving pictures.

Discovery Communications Inc., parent of the Discovery Channel, for example, took $10 million it had budgeted for new-channel development and diverted it to a Web site (http://www.discovery.com), which debuted on July 1. Fifteen journalists work exclusively for the page, creating original content.

Enormous potential lies on the Web, if spiders can only untangle the mess (and if the network gets faster—depending on your Internet service provider, you may have to wait hours to get onto the Web).

Clever as they are, the current spiders leave a lot to be desired. You find this out the hard way when you click your mouse on an icon designating some site and get (after the browser's typical delay in negotiating the jump) a page marked "404 not found." That's Web talk for "You can't get there from here" (or, more likely, "There's no there there."). Tomorrow's spiders will have to clean up that nuisance and spare users these dead ends. To do so, they will have to be very, very fast.

So who's fastest? Lycos' Mauldin claims that his firm's spider has indexed more of the Web than any other—8 million pages, 91% of the known Web. Nonsense, sniffs such a Lycos competitor as Joseph Kraus, of Architext. "That figure includes not just pages, but also links," Kraus says, and some of those links tell a search engine "nothing more specific than 'for more information, click here.' "

Not so, fumes Mauldin. He maintains that his point-and-click links are in some cases more valuable than mere text because they can incorporate such unsearchable items as digitized graphics and sound.

To check up on all those pages at least once every other month, Lycos must haul from 1 million to 2 million Web pages a week back to its Pittsburgh repository—a clutch of Sparc supercomputers connected by a high-speed network at Carnegie-Mellon.

Some spider masters say that spiders will eventually be superseded by faster indexing techniques. "The main reason spiders won't be appropriate is they're not scalable," says Architext's Kraus. Architext unveiled its million-page-a-day spider in early October, yet it has already begun to plan for its demise.

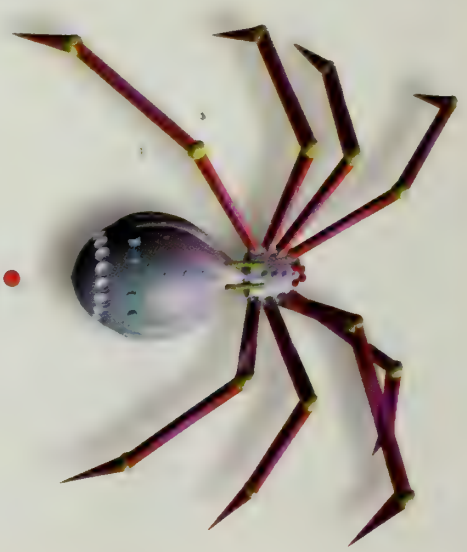
"Our retrieval model will apply even after the extinction of spiders," asserts Graham Spencer, Architext's vice president for technology. "We'll have distributed search—instead of bringing back a lot of pages, we'd just have pieces of our software at the Web site itself." Those bits of Architext would do local indexing, so that when the Architext spider came calling, it could get the lowdown in a jiffy. Further down the line is distributed search, which Spencer says does away with the spider altogether treating the community of Web servers as if they were o giant computer.

A variation of the automation theme is to team t spider with some human experts—a kind of semiautoma version of the original Yahoo! guide. One such proje went on-line earlier this summer, when the McKinl Group in Sausalito, Calif. established a journalistic ente prise on the back of its spider. McKinley was cofounded b Christine and Isabel Maxwell, two of the seven offspring the deceased publishing magnate Robert Maxwell. I spider doesn't attempt to be comprehensive; instead, uses a selective algorithm to retrieve information likely t be of interest to many people. It then submits the haul t 30 cyberwriters, who review it under the supervision eight editors and some outside advisers.

Even without human intervention, there's lots of roo for improving spiders. Most of them focus on subje matter and word matches, but their ranking criteria coul get a lot more complicated, and will probably have to do s if the Internet is to realize its potential as an advertising an merchandising medium. There is no reason why spide couldn't rank documents by source, date, popularity how much you have to pay to get a peek at them, says th University of Washington's Etzioni.

If spiders don't do your bidding, consider getting bloodhound. Use Lycos to search for "Webhound. Webhound is a personalized filtering system that periodi cally, or on demand, recommends new Web document after reviewing documents you have expressed a liking fo in the past. (Say you like North American sites that relat to computer science and come from universities.) Web hound can also track down other users with your tastes an recommend tidbits they have found.

Evolution is a mile a minute on the Internet. It's a fai bet that by the turn of the century the Web will b patrolled by more numerous, more powerful and ver different beasts. But today's lowly spider will be thei ancestor. ■



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1973

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Nobody wanted what Stephen Kiviat thought were his highly marketable skills, so the 54-year-old had to go into business for himself.

"I was naive"

By Richard Phalon

STEPHEN KIVIAT, then 49, almost felt relieved when 4 years ago new owners eased him out after buying the high-style furniture business he had started 25 years earlier. There was less than 2 years left on his contract, but he had turned a good profit on the sale of his business. He decided to have a little bit of fun.

Kiviat toured Europe with his wife and 14-year-old daughter. He made improvements to a 1786 country home in Connecticut that was already a showplace, tooled around back roads in his favorite wheels (a 1959 Rolls Silver Cloud and a 1977 Ferrari 308) and started learning how to work a personal computer.

Of course he knew he would have to go back to work. He lived pretty high on the hog, and so, although he still had plenty of money in the bank, he would have to find another job. But he figured that the networking of friends plus headhunters would quickly land him another executive spot. After all, everyone knew he was the man who had built $20 million (1988 sales) Atelier International, Ltd., a highly successful maker and retailer of Italian-style home and office furniture. It was so esteemed an operation that Steelcase Inc. had paid just under $10 million to acquire it. "Given the track record, I felt I wouldn't have any trouble at all," recalls Kiviat.

Oh, no? Companies like Swatch AG and Corning Inc.'s Steuben division were impressed by his design and marketing credentials but couldn't be persuaded that success in furniture would rub off on novelty watches or crystal bowls. He talked to at least a half-dozen headhunters and finally settled on Manhattan executive placement consultant David Werner, w wrote "thousands of letters." Th found no takers, either.

"I was naive," Kiviat now says. keep his morale up, Kiviat put or suit almost every day. Still, he was f losing hope.

"It was depressing. I was desp ate—not about feeding the fami but desperate to be doing somethi constructive," recalls Kiviat. "" walk the streets of New York and n have a piece of the action makes y feel totally unproductive."

Kiviat started dreaming up de that would create a job for himse Among them: a proposal to set up retail furniture business with Giorg Armani; a plan to establish a U. marketing arm for an Italian bed ma ufacturer. Still no luck. "I'd work o a detailed business plan and suddenl realize that three months had gon by," he says.

One day late in 1991 he strode int Ken Hansen Photographic, a store i Manhattan's Flatiron district. Kivi was seething over the service he wa getting in trying to buy a new Macin tosh. Apple management had sen him to Hansen, a perfectionist wh had taken on a line of Apple comput ers to go with the digital cameras an software he had put in to accommo date the growing interest of his pro fessional photographer clients in digi

Entrepreneur Kiviat (left); assistant manipulates photograph on computer screen

Reality to image via sleight-of-hand digital technology.

tal imaging.

Kiviat was instantly hooked on what he saw in Hansen's shop. Newswire services, for example, had already linked the filmless electronic camera (capturing images in digital form) to the computer (for processing) to CD-ROMs (for storage and transport to other computers). The linkage sped images to electronic photo desks all over the country. No time-consuming chemical massages, no need for the ministrations of an army of darkroom technicians.

There it was: the idea he had been searching for.

Kiviat sensed that there would be a ready market in advertising agencies, magazines and companies that would appreciate the instant access to and quick manipulation of the printed image.

Luckily for Kiviat, in late 1994 Ken Hansen, then 56, was planning to retire to Florida and take the conventional camera business with him. Hansen had little interest in the fledgling imaging operation. Kiviat took it off his hands for $750,000—cash on the barrelhead.

To get the business started, Kiviat pulled in his belt. He sold a vintage MG, rented out the family's country home and borrowed much of the rest of the purchase price. "My wife and daughter are with me all the way on this," says Kiviat.

What did Kiviat get for his money? A well-regarded name (he does business as Ken Hansen Imaging), credit with major manufacturers of the cameras, computers and scanners he sells. Expanding the business is up to Kiviat.

Kiviat says he is close to signing the New York City Police Department as a customer: CDs take up far less storage space than 8-by-10 glossy mug shots and crime scenes. He says he has added coin dealers who want to transmit auction offerings on the Internet in living color.

"The technology is developing all sorts of entrepreneurial uses that we never dreamed of," marvels Kiviat.

No profits yet, but Kiviat is happy to be back in the saddle: "I did it before and I can do it again," he says, but acknowledges that getting the chance to do it again was a lot tougher than he thought. ■

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You can start a newsletter with just a few thousand dollars. So can anyone else. Thus if you want to succeed in this business, you'd better know something about line extensions.

Peddle or perish

By Suzanne Oliver

BITTEN BY the entrepreneurial bug, David Alport, 34, and William Kolber, 31, left their marketing and travel jobs at American Express in 1992 to start a newsletter. They picked their niche carefully: *Out & About* was a travel newsletter for homosexuals. Where would they feel comfortable? Where would they meet like-minded people? Today the monthly letter has 8,000 subscribers, each paying $49 a year.

But you don't get rich on revenues of $400,000 a year, not after paying for printing, mailing, soliciting subscriptions and editorial. Of all these the big killer is soliciting—finding new subscribers to replace the ones that don't renew each year. For *Out & About* that means finding more than 3,000 new subscribers every year to replace the 40% who drop out.

Fortunately, Alport and Kolber have other ways of exploiting their little niche. They are renting out their subscriber list to other direct marketers and are writing a gay travel guidebook. "Our main goal is new revenue sources," says Alport.

Next to lemonade stands, newsletters may be the cheapest startup business in America. For the price of a desktop publishing program and ink for your laser printer, you can put yourself in business. But making a decent living in newsletters is tough. The field is crowded—there are something like 5,000 letters today—and junk mail, the favorite solicitation for newsletter publishers, is drawing less efficiently. Mailboxes are simply too crowded these days.

But new letters keep springing up. Over the past ten years, the number of newsletters in *Hudson's Subscription Newsletter Directory* has doubled to 4,831. That is three times the number of daily newspapers in this country and certainly understates the total. Hundreds come and go without ever making it onto *Hudson's* computer screen.

Last year alone *Hudson's* publisher, Howard Penn Hudson, who runs his business from the bucolic town of Rhinebeck, N.Y., added 1,270 entries to his directory. But most of the letters are small, with Alport's and Kolber's being fairly typical in revenues.

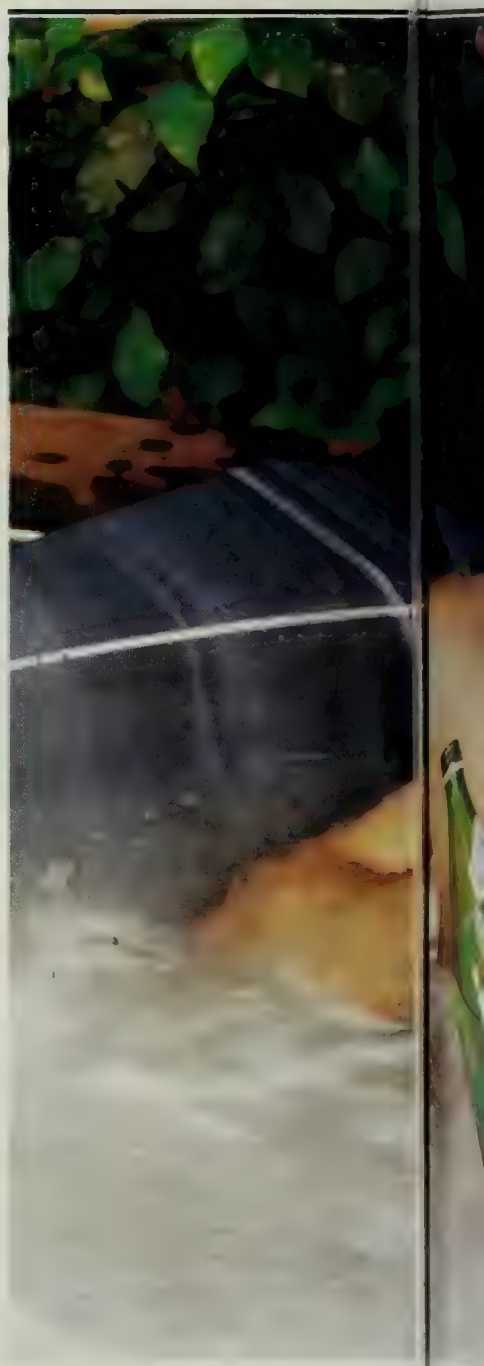
As with any small business, the survival rate for new letters is low. In 1994 Hudson deleted 613 from his directory.

Charles Henderson is a thriving publisher of 12 medical newsletters in Atlanta, Ga. His company, CW Henderson, is constantly trying out new titles. He says one in four survives. "I've realized I can't predict which ones will work," he shrugs.

Henderson's weekly letters cover topics like AIDS, hepatitis and tuberculosis. They sell for $1,095 to $1,895 annually.

But Henderson gets even more profits from ancillary activities that exploit his editorial databases. He gets significant royalty income from publishing past issues on CD-ROM and on computer services like CompuServe and Dialog. A 1995 survey of the newsletter industry by Professor David Nelson of Northwestern University found that publishers get almost half of their revenue from related products and services.

You really need that extra income. The average renewal rate for a successful newsletter is 73%. That means every year you have to replace 27% of your readers. Direct mail, while still



cheaper than radio, television and newspaper advertising, is getting very expensive. The cost of printing and mailing a piece of third-class mail to a name on a rented list is 55 cents.

If 55 cents doesn't sound like much, consider this: You are lucky if 1% of the people who get your pitch buy your newsletter. So it costs $55 to land a single subscription. That's exclusive of the cost of editing, printing and mailing the subscription. So most newsletter publishers don't break even until a subscriber's third year. Thus the need to wring extra money out of the subscribers.

Publisher
David Alport
Publishing a newsletter for gay travelers is more interesting than working for American Express.

"I get 45 pieces of mail at home each day, and the Kiplinger newsletters have to compete with all that," says Austin Kiplinger, chairman of Kiplinger Washington Editors, which publishes the 72-year-old *Kiplinger Washington Letter* and six other newsletters. "I get fundraising solicitations for muscular dystrophy, for AIDS, for everything under the sun, credit card offers and 75 catalogs."

Kiplinger, 77, remembers when he could count on getting three subscriptions for every 100 pieces of direct mail he sent. Now, he is happy if he gets one.

"If you aren't good at direct mail, you'll have a difficult time in this business," says Thomas Phillips, founder of Phillips Publishing International. Phillips, 53, started his company with $1,000 in 1974. Today he publishes 80 newsletters, taking in $170 million in revenues. He is mum about profits, but the operation is probably worth a multiple of that revenue figure, and he still owns 80% of it.

Before starting his newsletters, Phillips worked at an advertising agency on the Procter & Gamble and General Mills accounts and did political fundraising by direct mail. So he knew a bit about catching a consumer's attention via the postal service.

Next to lemonade stands, newsletters may be the cheapest startup business in America.

How does Phillips operate? The solicitation for his new *Jack Kemp Letter* is typical. It promises "five hidden truths the White House, the desperate liberal left, and many in the media don't want you to know. . . ." A bit exaggerated? Shrugs Phillips, whose floral ties are as loud as his direct mail pieces, "Sure there is lots of hype, but there is hype everywhere."

Phillips is an artist at finding new newsletter niches. "You just keep slicing the pie," he says. From *Phillips' Satellite News* came *Mobile Satellite*

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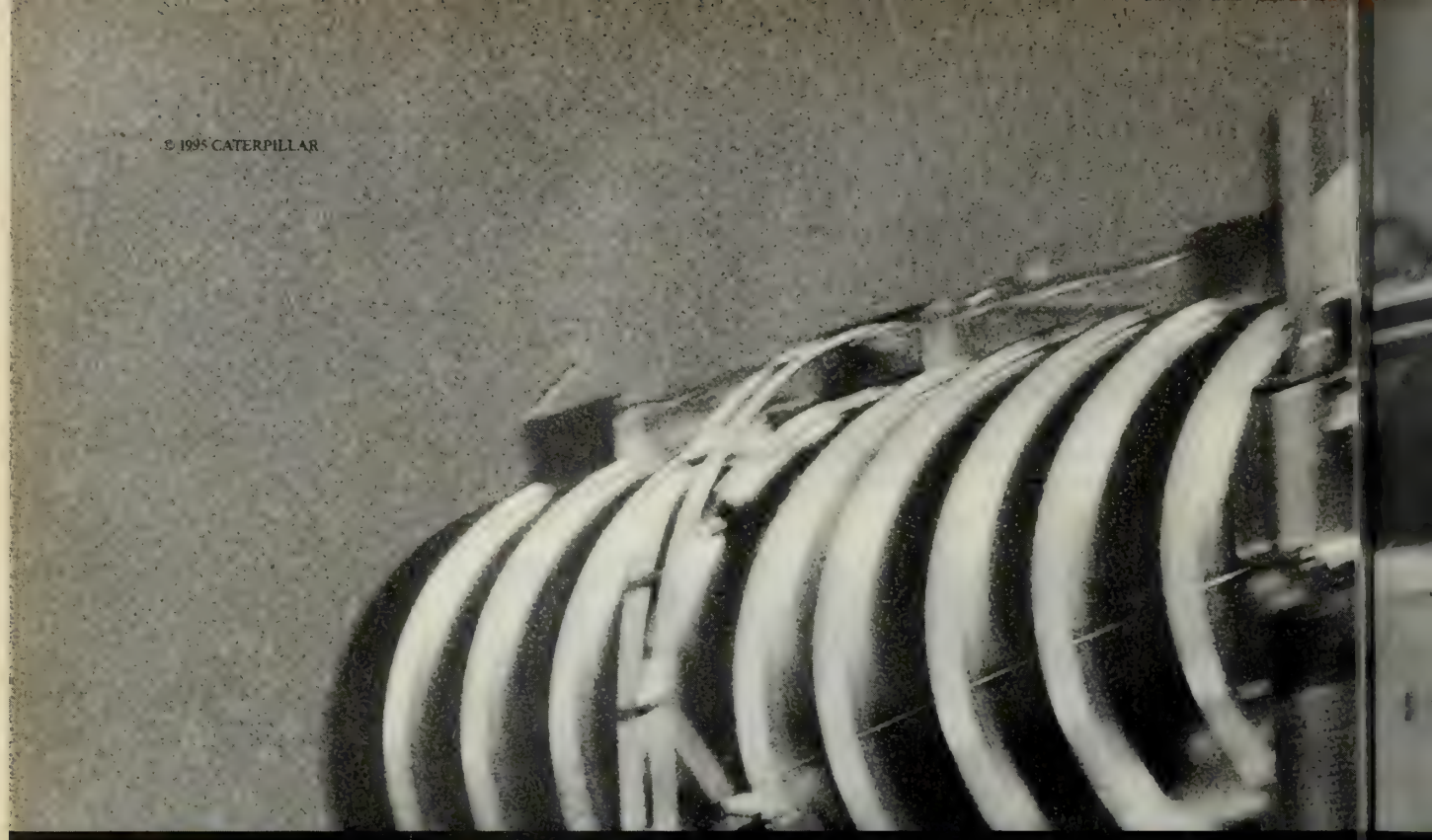

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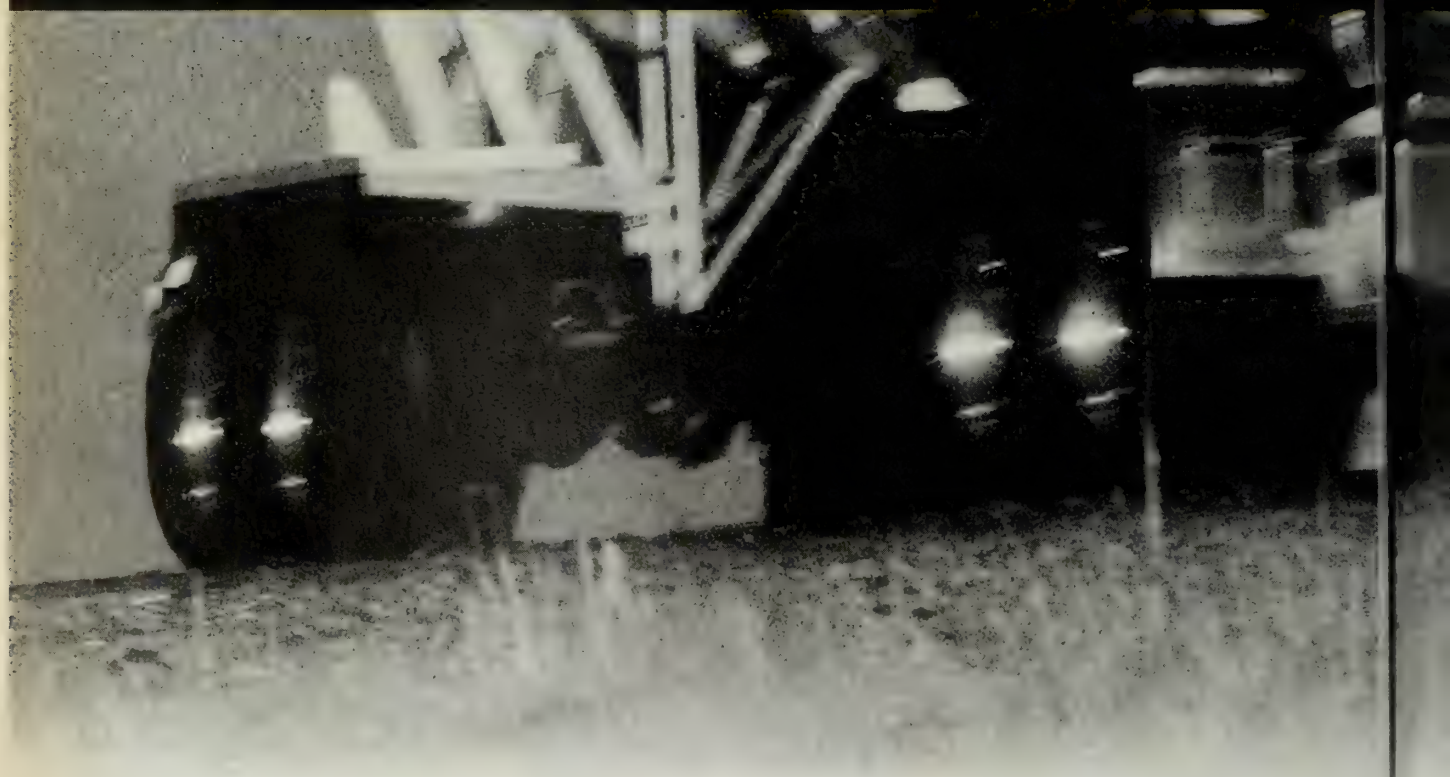

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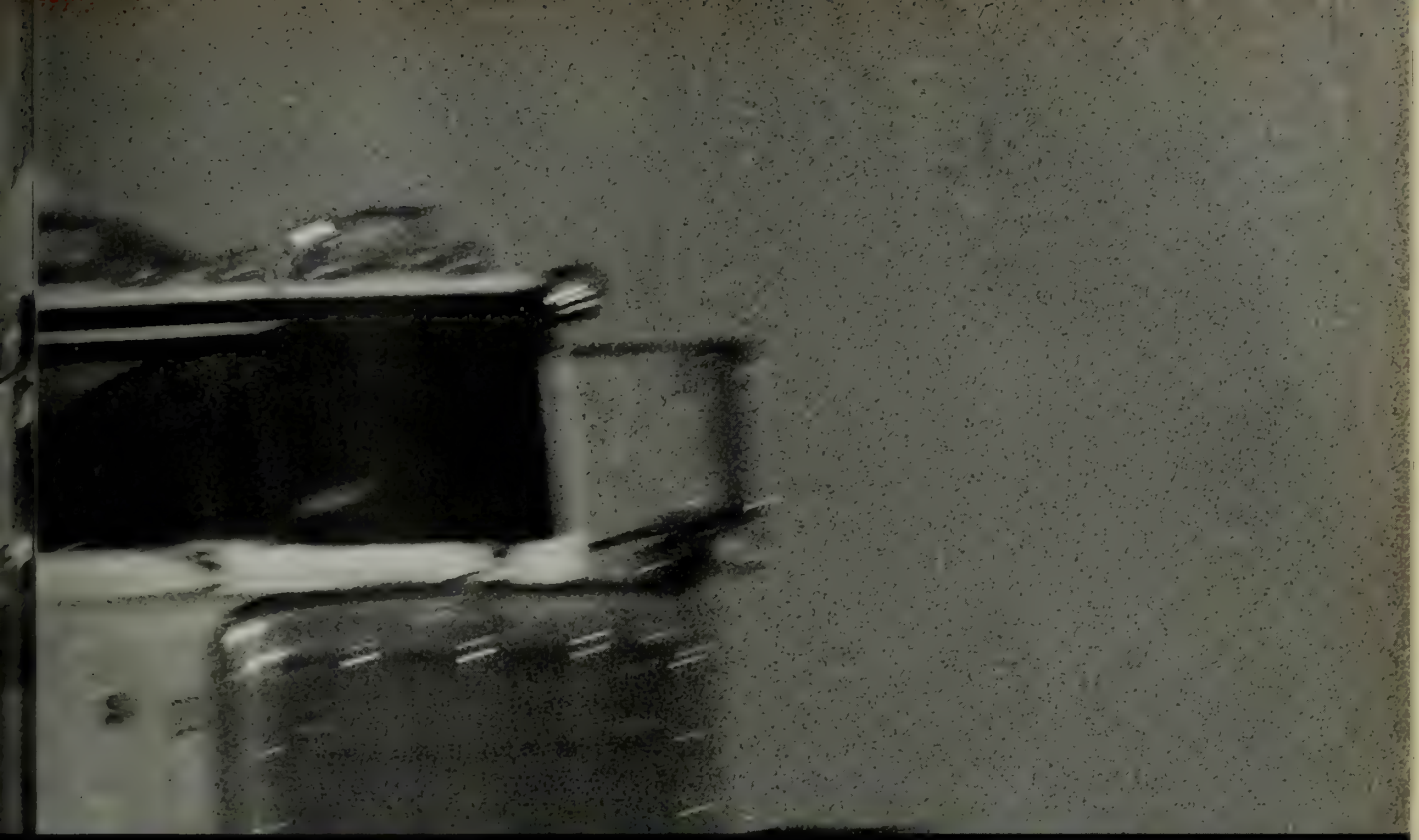

our diesel engines power the trucks that drive on it.

s and turbines. In addition to powering trucks, ld engines for everything from fishing boats to otives to electric power generation.

o when you see that familiar flash of yellow ent as you pass a highway construction project, remember that the possibilities we create don't end there. It's where they begin.

CATERPILLAR

Manuelo Pagano/ph

Newsletter baron Thomas Phillips **"If you aren't good at direct mai you'll have a difficult time in this business."**

News and the reference book *World Satellite Directory.* In the telecommunications field he began with *Video News* and now has two dozen newsletters related to the field, including his latest—*Interactive Daily, Internet Week* and *PCS News*, the last about cellular phones. Phillips also packages his information into books, directories and CD-ROM products.

Most of Phillips' newsletters are aimed at executives in the telecommunications, energy, aviation and defense industries, but he also has a stable of consumer letters. His strategy here is different. First he identifies an emerging interest, then finds recognized personalities in the field to author his newsletters: Ken and Daria Dolan for personal finance, Dr. Julian Whitaker for alternative health, and Jack Kemp and Ollie North for conservative politics.

He can't get anything like the same price for a consumer newsletter as he can get, for example, for *Octane Week,* which goes for $1,095 a year, but the potential market is much greater. Dr. Julian Whitaker's *Health & Healing* has 450,000 subscribers. Ken & Daria Dolan's *Straight Talk On Your Money* has more than 100,000.

Phillips' consumer newsletters are edited to sound like an eight-page personal letter from the celebrity whose photo is in the upper-left-hand corner. He avoids the pretense of objectivity and impersonality cultivated by most newspapers. The personalities aren't laden with doubts. They have firm views and don't hedge. They tell you exactly what to do—buy municipal bonds, take vitamin C supplements or call your U.S. senator about abortion legislation now. "We don't believe in serving up mush," says Phillips.

He does, however, believe in giving the customer what the customer wants. He sells weight-loss kits, air purifiers, water filters, toothbrushes and vitamins to the readers of *Health & Healing.*

Easy pickings? Don't kid yourself. Signing up an expert and promising "five hidden truths" is harder than it looks. Newsletter publisher National Information Corp. in Alexandria, Va. signed television personality Louis Rukeyser to lend his name to the newsletter *Louis Rukeyser's Wall Street.* Rukeyser writes a column and

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conducts an interview in each issue. Guest columnists and staff writers fill the other eight pages.

Apparently the secrets weren't juicy enough. Circulation of the newsletter has fallen from 425,000 in 1993 to 235,000 today. The renewal rate is a dreadful 38%. Publisher Brian Smith is trying to lure new readers for his $49-a-year letter with free trial issues, discounts on rental cars and a no-fee credit card.

Rukeyser's newsletter breaks one of Phillips' cardinal rules. It has too many voices. It is not sufficiently Rukeyser. It sounds just like any of dozens of personal finance magazines that are cheaper and more comprehensive. You can't say that about M. Lee Smith's operation. Smith's letters are about as focused as you can get. In 1975 the 53-year-old Nashville publisher began putting out a newsletter on Tennessee law and another on Tennessee politics. He wasn't getting rich. He tried another, on Tennessee employment law, aimed at corporate personnel managers. He cut a deal with a Chattanooga lawyer to do the writing, while he did the marketing, printing and mailing. Smith wou pay the lawyer a cut of profits. Smi soon signed up another lawyer neighboring Georgia to write a new letter on Georgia employment law.

Today Smith has law firms in states writing state employment la newsletters, lawyers in 26 states wr ing environmental law newslette and lawyers in 6 states writing heal law newsletters. The lawyers write t copy and send it to Smith by mode Smith edits, prints, mails and marke the newsletters. Since 1989 his cor pany's revenues have quintupled,

Publisher and lawyer Lee Smith

For a cut of the profits, dozens of lawyers across the country write the newsletters that Smith publishes.

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Blaire Jensen

JoAnna Lund, formerly a 300-pound insurance underwriter
Pitches her Healthy Exchanges newsletter on radio and TV talk shows.

$10 million, on 52,000 subscribers.

Given the costs of getting and servicing subscribers, it is doubtful that National Information can make much money on the Rukeyser letter, despite its vast circulation, because of its low annual fee and high costs for circulation acquisition. By contrast, Lee Smith makes good money on the tiny circulation of his newsletters because his specialized information is valuable to a few people.

Selling a cheap newsletter to a large audience would be a lot more feasible if a way could be found to circumven high mailing costs. JoAnna Lund publisher of the DeWitt, Iowa-basec

You are lucky if 1% of the people who get your pitch buy your newsletter.

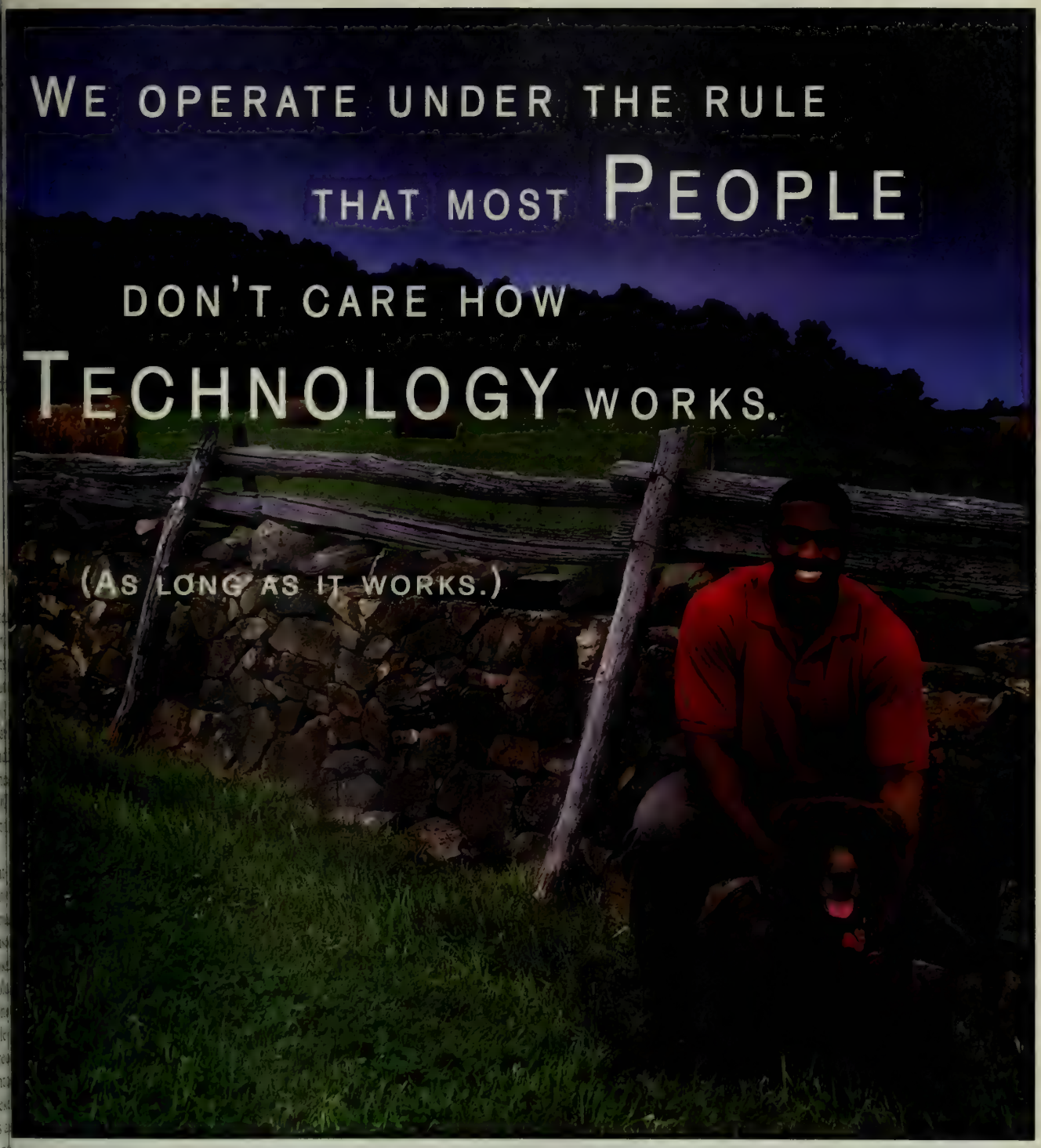
Healthy Exchanges newsletter, ma have found a way.

Lund was a 300-pound insuranc underwriter and perpetual dieter who in 1991 finally gave up fad diet and began taking the fat and sugar ou of her own midwestern recipes. Col leagues at work loved the low-fa meals Lund brought for lunch an began asking for her recipes. By th end of the year Lund had lost 10 pounds and had enough recipes t publish a spiral-bound cookbook.

With a $2,000 bank loan, she print ed 1,000 copies. Said her truck-driv ing husband, "I sure in hell hope yo know what you're doing, otherwis we will be paying for these cookbook forever." He soon relaxed. Lund sol the first 250 in person. Then sh called a dozen Iowa newspapers, tele vision and radio stations and offere herself as a guest. She got invited ont a few shows, and within three weel had sold the rest of her cookbooks $5 each. No solicitation letters, n circulars.

On each show, she mentioned th she would soon be publishing a new letter. Subscription requests rolled i Lund, with her cheerful voice, e couraging message and ample hips, a media natural. "I am my audience, says Lund, now a Rubenesque 17 pounds at 51. A local radio static offered her a regular Saturday mor ing show. "I don't get paid, but I c

Karl L. Brunson presents ideas in California from a phone modem in Manassas, Virginia. Which he finds much easier than hopping on planes all of the time.



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WHAT WE CAN DO TOGETHER.™

Manuello Paganelli

Christopher Sherman, publisher of Multimedia Wire

Did Walt Disney illegally fax and photocopy his newsletter?

mention *Healthy Exchanges* all I want," says Lund.

By the end of 1992 Lund had 5,000 subscribers to her newsletter. Today she has 15,000, at $22.50 each. She has not spent a penny on direct mail, but has bought two $300 ads in *Radio-TV Interview Report.*

But she works hard at promotion. She contacts at least five media people each week to offer herself as a guest on radio or television shows, or as a newspaper article topic. She has appeared on hundreds of shows from Portland, Ore. to Buffalo, N.Y.. Each time, she prepares a dish and mentions the newsletter.

With so many cooking magazines available at less than $20 a year, how is Lund able to sell just 144 pages of recipes (12 pages monthly) for $22.50? Her personality helps; here is someone who has been there. And these are not fancy French recipes. A recent concoction featured mashed banana, reduced-fat peanut butter, nonfat dry milk powder, sugar-free chocolate milk and Grape Nuts cereal.

The newsletter brings in $300,000 a year, but then there are the line extensions. Lund sells motivational booklets, audiotapes and menu planners. She gives cooking classes and tours of her headquarters, always bringing guests by the gift shop. She has a catering company whose peach-colored trailers sell meals to factory workers near her office, and she has put her name on a line of spices she will sell through the newsletter.

This year G.P. Putnam's Sons published Lund's first hard-bound cookbook, the *Healthy Exchanges Cookbook.* The book has already sold 85,000 copies, at $17 each. Never missing an opportunity, Lund inserted a newsletter subscription form in the back of the cookbook. Lund's success hasn't changed her. "I still live in a two-bedroom bungalow and shop at Wal-Mart," she says. "I don't want to live better than my subscribers do."

Christopher Sherman, 29, publisher of *Multimedia Wire*, has four another way around the mailbox. F is using fax, E-mail and the Internet promote his newsletter and ancilla services.

Sherman has gotten most of h 1,500 readers by sending them fr two-week trial subscriptions by fa The newsletter, which costs $445 year, covers the business of CD-RO and on-line consumer product Once a subscriber signs up, Sherma asks if he would like to receive *Mult media Wire* by E-mail. Not only is I mail cheaper for Sherman, but he als is building up a database of E-ma addresses that could one day becom valuable.

Sherman has opened a World Wic Web site devoted to the business multimedia products. With it he pr motes his newsletter and sells a litt advertising space.

The downside of an electron newsletter is that it is far easier to cop than a paper newsletter, which re quires a trip to the photocopier. She man suspects a few of his E-ma subscribers have distributed electror ic copies illegally. His newsletter also getting copied the old-fashione way. In August Sherman filed a law suit against Walt Disney Co. afte hearing from an inside source tha dozens of company employees ha been receiving photocopies and faxe of his newsletter that they had no paid for. Now, instead of spending h

Phillips' newsletters avoid the pretense of objectivity cultivated by newspapers: "We don't believe in serving up mush."

revenues on bringing in new subscrib ers, Sherman has a lawsuit to finance "I decided if I couldn't protect m existing business, there was no sens in building it," he says.

If newsletter publishers can preven piracy, electronic distribution coul make the field much more profitable no more printing and mailing costs In the meantime most of them wi have to count on selling you thing other than the newsletter to make dime. ■

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AIR FRANCE

You're in good company in OHI

This continuing series of Ohio business reports is a public-private partnership between the Ohio Department of Deve

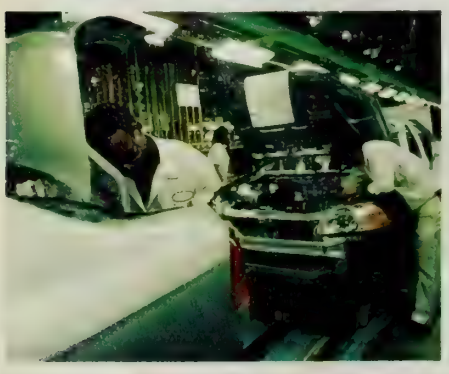
HONDA OF AMERICA MFG., INC.

Detroit, Munich, Stuttgart, Turin, Marysville—the automotive capitals of the world.

Marysville? Yes. This tiny town, along with sister cities Anna and East Liberty, leaped to prominence when Honda of America Mfg. selected central Ohio for production facilities to serve, first, the American and, now, world markets.

Perhaps it's presumptuous to place Marysville in the same league as the big boys. But the fact is that Marysville plays a key role in Honda's global strategy. Honda was the first Japanese automaker to site production units in the U.S., and it is the first Japanese automaker to supply world markets from a U.S. base.

Don't let the bucolic aura of Union, Logan and Shelby counties deceive you. Hidden beyond the corn fields are Honda's massive investments in a motorcycle, an engine and two auto plants, plus engineering and R&D centers. The plants' 5.9 million square feet represent a $3.8 billion investment.



In expansion after expansion, the company reaffirmed its commitment to the U.S. market and its confidence in Ohio.

One-fourth of Honda's worldwide capacity is in North America. Local content ratios are the highest of any Japanese automaker. Marysville evolved from a "knockdown" factory where almost everything came from Japan to one with more than 90% domestic content.

"Our intent is to be a fully integrated member of the American automobile industry," says Takeshi Yamada, president.

"Our byword is, 'Quality for the world, made in Ohio.'" Takeshi Yamada, President, Honda of America Mfg., Inc.

Now the company's 11,000 Ohio associates research, engineer and manufacture products that please not only the American palate but also the complex tastes of global markets. To wit:

—Honda's Marysville plant produces a car every 60 seconds—at some 1,650 a day, more than any other auto plant in North America. Some 21% of the output is exported. The lines can tailor 1,100 different cars to global needs.

—Honda positioned its U.S. operations as a supply base for global markets. For example, Honda was the first automaker to export right-hand drive cars from North America.

—A big expansion at the Anna engine and drivetrain component plant will lift production by 50%, including an all-new V6 engine produced exclusively in Ohio. Next year East Liberty will produce Honda's new Acura model, its first luxury car designed, engineered and manufactured in the U.S.

—Attesting to its confidence Ohio workforce, Honda has been ing brainpower at the Ohio con The on-site Honda Engineering America develops the special prod equipment needed for Honda's u manufacturing processes. An enl role and increased resources for H R&D North America in Raymond wi to more locally designed parts.

Throughout the complex th evidence of the "H Way," the Total Quality agement concept cre with reinventing Ame automaking.

It is a strivin quality and a share of customer satisfac Competitive automa the Air Force and th are among the many g visiting Honda's plan learn "the Way."

"It's not just Jap management — it's management," says Yamada.

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ontier Fund, local economic development offices, and featured Ohio businesses.

HE HALL CHINA OMPANY

Pottery-making, one of the oldest indus- known to mankind, is a craft that was st buried in America by foreign imports. But one Appalachian Ohio company is g the ancient art—and several hundred —through smart appli- n of technology, niche keting and a good mea- of persistence.

The Hall China Company ounded in East Liverpool 03 in a part of the Ohio r valley known as the ery capital of the world. In 1930 Hall built a plant, irst in the U.S. built exclu- y to take advantage of the -new technology called unnel kiln. For nearly 60 s that technology of firing ed. Then, in the '80s, computer-controlled pment became available and, again, was the first in the U.S. to use the latest technology, the roller-hearth kiln.

"We have a dedicated workforce that has adapted well to our new technology."
John C. Thompson, Chairman and CEO, The Hall China Company

G. Sayle, President
C. Thompson, Chairman and CEO
R. Platte, Vice President of Manufacturing

The new equipment allowed the company to shave its costs and, at the same time, permitted the nimbleness needed for niche marketing.

"The computer-controlled equipment gives us the advantage of flexibility," says John Thompson, chairman. "We can manufacture short runs and change from item to item quickly. In the old process it took two days to complete a product. Now it's down to five hours."

Hall makes a good product. Its cooking china has superior heat and chip resistance, and its products are lead-free.

But making a good product didn't mean survival in an industry barraged by imports. So when company after company in the U.S. china industry succumbed, Hall knew it had to find markets not served well by producers in the low-wage countries.

Niches were found in the hotel and restaurant china business, a market that Hall had known well for several decades. Another market that attracted the company was that of private-label specialty products and lines of products for businesses selling to other than hotels and restaurants. Customers were developed among companies selling by direct marketing, companies using the products for industrial purposes such as the manufacture of surgeon's gloves and even companies specializing in marketing reproductions of antique products originally produced by Hall.

Pottery-making is traditionally a labor-intensive business, but Hall was able to remove some of the labor cost by bringing in new technology. The important steps in manufacturing are forming, drying, glazing and firing the chinaware pieces. All these steps have been improved by the application of microprocesser-based technology.

"While we may not have as many people doing a particular job now, because of our new technology overall we employ more people," says Thompson.

The Ohio Department of Development played a major role in the survival of Hall, providing a low-interest loan to buy new equipment. The loan was based on an anticipated increase in employment over a period of five years. Hall met the requirement in three years.

For two years in a row, Ohio has been rated the national leader in business development. The companies profiled here illustrate the diversity and strength of our economy. Read their stories and learn why so many companies choose to expand and grow in Ohio.

George V. Voinovich

George V. Voinovich, Governor

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Flying inside India was an ordeal until the government airline got competition. Travelers are happier now, but the bureaucrats seem to be miffed.

Deregulation—with strings

By Eric Weiner

Indian Airlines Chairman Russi Mody

Competition helps everyone: "I used to get 100 complaints a week. Now I get 3."

DOMINATING the Bombay office of Indian Airlines' chairman, Russi Mody, is a large bronze statue of Ganesh, the elephant-headed god to whom Hindus turn for the removal of obstacles. These days, the obstacles Indian Airlines top brass most want to make vanish are those pesky private airlines. They are raising hell with Mody's efforts to turn around the ailing state-owned airline. "It's a daunting job," admits Mody, of his competitive struggle.

For almost two decades Mody ran the Tata Iron & Steel Co., India's only privately owned steel mill. He ran circles around his state-owned competitors. Now, at 77, Mody is on the other side, trying to manage a government-owned former monopoly in an age of deregulation.

Indian Airlines has lost almost $300 million over the last five years. It's easy to understand why. The airline's flight attendants are notoriously rude, the food barely edible. Flights are chronically late—that is, if th leave at all. The airline's nine unic seem to enjoy calling wildcat strik during peak travel seasons.

For decades, passengers grumbl about these indignities but had alternative. But as part of its econon reforms, Prime Minister P.V. Na simha Rao's government allowed p vate "air taxis" to take flight in 199 Initially, they were forbidden to a vertise fares or even flight schedul But last year the rules were relaxed.

Indian Airlines now finds its competing head-on with 11 feis upstart airlines—5 flying jets.

The five new je equipped carriers have p Indian Airlines into a ta spin. Its market share h dropped to 70%. Th though its fleet of 58 ai craft far outnumbers i competitors'.

With good service th new airlines are coaxing In dia's growing middle cla to abandon the rails ar take to the skies. After yea of stagnation, India's a traffic grew by 10% 1993-94. This year growt should accelerate to 15% Suddenly flying is less of a ordeal. Damania Airway gives each female passeng a freshly cut rose. "It's th little touches that make th difference," says Parve Damania, a wealthy poultr farmer who founded th airline.

On a recent flight fro New Delhi to Bangalor East West Airlines staged play, *Love Letters*. The pro fessional actors botched few lines when the plane h a pocket of turbulence, but the pas sengers were delighted.

The new airlines have replaced plas tic cutlery with stainless steel, table cloths and china. They've expande menus beyond the curries and masal dosas, offering milk shakes, crois sants, pasta—even fajitas.

Competition has made life a bi better for those still condemned to fl Indian Airlines. It has added legroon on its Airbus A320s and Boeing 737s and improved meal service. Its fligh

"As the manager of the Manhattan Fund, I love growth stocks. But I don't believe love should be blind."

Mark Goldstein
Portfolio Manager,
Neuberger & Berman Manhattan Fund

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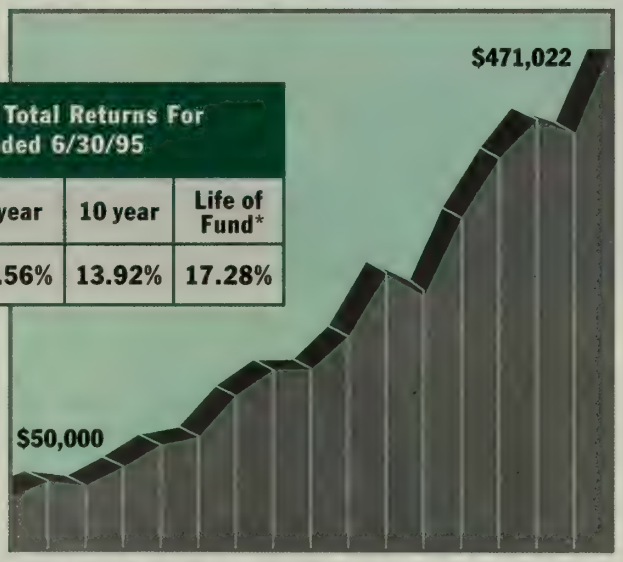

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*Neuberger & Berman Management Inc. became investment adviser to the predecessor of this Fund on 3/1/79. Performance before the Fund's August 1993 reorganization is for its predecessor.

This illustration assumes reinvestment of all dividends and distributions. Of course, investment returns and principal fluctuate, and past performance is no guarantee of future results. Redemption proceeds may be higher or lower than original cost.

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If we don't invest in it, why should you?

Pablo Bartholomew/Gamma Liaison

S.K. Modi, ModiLuft chairma
For cabin crews, intensive trainin in airborne etiquette. For passengers, superb service. Result: tough competition for a state-owned former monopoly from a gnat-si new airline.

attendants even smile these days.

But what governments grant, governments can take away. India's infamous bureaucrats are trying to force the new airlines to fly with clipped wings, while continuing to coddle Indian Airlines. "Every step of the way, we've been pulled back two steps by government regulations," says one airline executive.

For example, the new airlines can't revise fares, add new destinations or increase their fleets without government approval. "The policy is stunting the growth of everyone," grouses Saroj K. Datta, executive director of Jet Airways. At New Delhi and Bombay airports the government has doubled landing fees since 1994, which hits the undercapitalized new airlines harder than Indian Airlines.

At taxpayers' expense the government builds spacious new terminals for Indian Airlines, while the upstarts are crammed into crumbling, overcrowded buildings. At Bombay's Santa Cruz Airport, businessmen in crisp suits squat on the floor—the only seating available. "The rules are still being made to protect Indian Airlines," gripes an executive at a large travel agency. "The government is not going to let it fade away."

So far, the new carriers have concentrated on the "trunk routes," which connect India's largest cities, such as Delhi, Bombay, Calcutta and Madras, and account for 66% of all air traffic in India. To help Indian Airlines, however, the government now insists that the new airlines add less-traveled routes to their schedules, on which they may well lose money.

But S.K. Modi, chairman of Modi-

"The government is not going to let Indian Airlines fade away."

Luft, another new airline, says that, with imagination, nontrunk routes need not be losers. ModiLuft is starting direct service connecting Goa's beaches and Agra's Taj Mahal, two of India's most popular tourist destinations. Modi fully expects to make money and plans to double his fleet to eight Boeing 737s next year.

Still, the government backlash is beginning to pinch the new carriers. ModiLuft showed a profit of $2.3 million for the year ended in May, and East West Airlines reported a profit of $1.8 million for the March 1995 fisc year. But analysts say most of the ne airlines are now losing money.

This uncertainty is keeping awa foreign capital. Lufthansa, which ha lent its name and technical expertis to ModiLuft and manages the airlin is reluctant to exercise its option t buy 40% of the equity. "Until w know this kind of venture is viable, w don't want to put money into it," say Lufthansa spokesman Kavin Sethi.

In India things are never simpl Themselves the victims of bureaucra cy, the new airlines have ganged up t try to keep out new competitors. In dia's finest business conglomerate the Tata group, proposed to team u with Singapore Airlines to launch a airline. The existing private carrier quietly lobbied against it. In Ma India's Ministry of Civil Aviation re jected the proposal.

While the bureaucrats fiddle an fumble, India's growth is stifled. Few er people fly in India than in Malaysia with one-fiftieth the population. Bu this is the way things always seem t be in India: two steps forward, on step back. The important thing is this The genie of competition has gotte out of the bottle. And Ganesh woul not want to coax him back in.

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MANAGING WORKPLACE INJURIES

Restrictive Laws Still Limit Managed Care

With workers' compensation costs reaching 2% to 10% of the payroll at most companies, managing such claims is vital to the health of businesses and their workers. According to the National Council on Compensation Insurance, the most effective cost-containment mechanism is managed care. Managed care can offer quality care for workers by providing a more efficient, coordinated approach and early, aggressive treatment to quickly return employees to work — and at the same time save businesses millions of dollars. Because workers' compensation managed-care strategies are not well understood in the regulatory environment, however, some state laws unintentionally erect barriers to the full, efficient use of these strategies.

Sophisticated employers understand the full potential of managed care and are incorporating various managed-care strategies into their workers' compensation programs. Two examples are early case management at Kelly Services and a pioneering coalition program in Kansas City.

Managed-Care Restrictions

DENNIS H. CHOOKASZIAN, CHAIRMAN AND CEO, CNA INSURANCE COMPANIES

"Many state laws are straitjackets that prevent effective implementation of managed care."

Managed-care strategies such as case management have demonstrated their value in minimizing costs for businesses while simultaneously benefiting workers and helping them return to work more quickly. As a recent Harris Poll demonstrates, most employees want to return to work quickly. But even in those states that allow managed care, many laws are straitjackets that prevent its effective implementation.

State managed-care laws are overly prescriptive, preventing managed care from delivering its higher quality-of-care benefits and greater cost savings. Some states require insurers to offer two complete managed-care organizations, essentially eliminating any savings from economy of scale. Similarly, at least 15 states have enacted "any willing provider" laws that prevent managed-care organizations from excluding any provider willing to meet the terms for becoming a network provider. This defeats the process of selecting qualified providers with specialized experti in occupational injuries and a demonstrated comm ment to cost containment.

Some laws that make sense for group health insu ance don't produce the same results for workers' cor pensation. To control group health costs, managed-ca strategies concentrate on very conservative medic treatment. But when applied to workers' compensatio that approach actually increases costs by ignoring th need to return employees to work quickly.

Burdensome rules that dictate the exact structu of managed-care programs and detail all operatir procedures produce gridlock. They prevent manage care strategies from working, stifle creativity an increase costs without providing measurable benef to consumers. Such restrictions, along with excessiv certification and administrative reporting requir ments, make established managed-care programs les effective and slow the growth of new programs. T maximize the benefits of managed care, CNA sup ports state laws that:

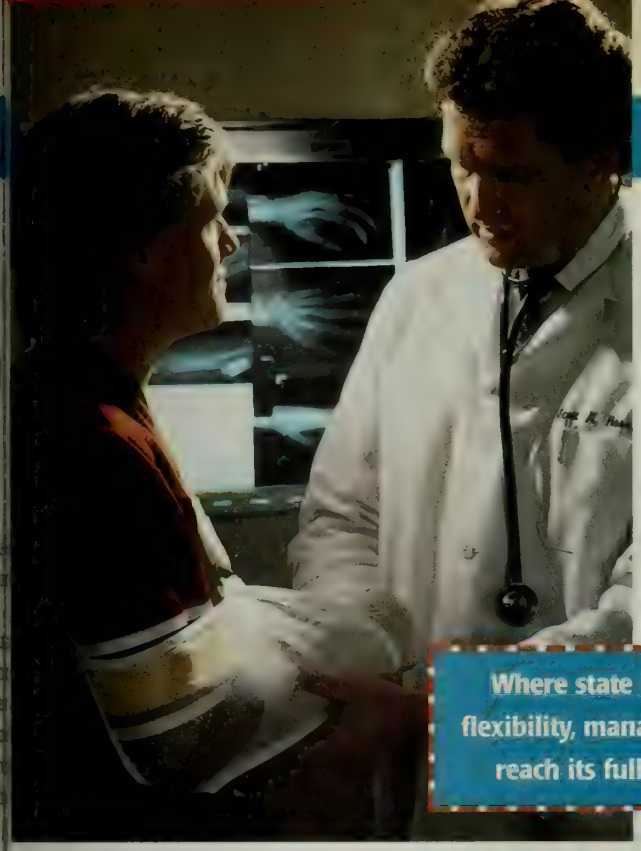
- Encourage flexible managed-care programs tha reduce administrative burdens.
- Allow employers to direct employees to medic providers with expertise in workplace injuries.
- Free managed-care organizations from "any willin provider" restrictions. ■

Early Case Management

ROBERT E. THOMPSON, EXECUTIVE VICE PRESIDENT, OFFICE OF THE PRESIDENT, KELLY SERVICES

"What's best for employees also results in lower costs."

As a corporation with more than 600,000 workers, Kelly Services is keenly interested in identifying and implementing the best practices for employees. To achieve the best care possible for injured employees, the company's workers' compensation insurance administrator has been using a program of early case management since January 1995 for all claims involving time lost from work — not just for catastrophic injuries.



Where state laws allow flexibility, managed care can reach its full potential.

Part of a series on important public policy issues from

CNA

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For all lost-time claims, a registered nurse case nanager guides injured workers through the health-are maze and closely follows medical and vocational ehabilitation treatments.

These managers talk with injured employees reg-larly, help them learn what benefits are available, ranslate medical jargon into understandable options nd help them make crucial treatment decisions. Jurse case managers make sure there are no commu-ication gaps or treatment delays and also protect mployees from unnecessary procedures that may esult in overtreatment.

The early case-management program at Kelly has een a win-win situation for our employees and our ustomers. Employees receive high-quality, cost-ffective care and return to work more quickly. Our ustomers benefit from Kelly's becoming a lower-cost rovider of services. ■

Coalition Pioneers Cooperation

n addition to using case man-gement, representatives of e Mid-America Coalition on lealth Care — a group of ansas City CEOs, health-care roviders, insurers and union epresentatives — tackled ommunication barriers that ncrease costs. They learned at doctors hate to fill out dif-rent medical forms for each usiness and insurer, and mployers can't get informa-on quickly enough to make itical business decisions.

Robert L. Brown, President, Mid-America Coalition on Health Care

"The emphasis is on workability, not disability."

The centerpiece of their solution is a one-page Uniform Workability Report Form that can be faxed or sent by messenger between businesses and medical providers. Business owners can learn the diagnosis and treatment plan in hours and monitor treatment for the first seven days. They can decide whether to hire or retrain temporary workers or change production schedules. Business owners can determine lost time from production shut-downs and identify alternate work assignments.

Improved communication also facilitates early return to work, using lists of modified jobs that put the emphasis on workability, not disability.

This innovative program, begun in June 1994, relies on voluntary cooperation within the Kansas City metropolitan community and gives everyone a sense of ownership in the results. The goal is to bring 100,000 Kansas City-area employees into the system, providing an expected 5% to 6% savings — up to $9 million annually — in local workers' compensation costs. Improved data tracking is the next step to document the effectiveness of managed-care programs and identify further opportunities for improvements. ■

Promoting Innovation in Managed Care

Managed-care programs like those used by Kelly Services and the Kansas City coalition can flourish in environments free of needless administrative dictates. Where state laws allow flexibility to develop new and innovative approaches, managed care can reach its full potential, both improving cost containment for businesses and providing optimum care for workers.

For more information on the Mid-America Coalition on Health Care, call 816-753-0654.

CNA is the sixth-largest insurance organization in the U.S. based on the 1994 net written premiums of member companies and is a leading workers' compensation insurer. It is a multiline insurer with nearly 100 years of experience, assets of $62.7 billion and stockholders' equity of $6.0 billion as of June 30, 1995. CNA is a registered service mark of the CNA Financial Corporation.

Polish capitalists are forging ahead, but Polish politics is mired in the past.

Alice in Poland

By Katarzyna Wandycz

Gamma Photo/Liaison

Aleksander Kwasniewski, presidential front-runner **"People need a sense of worth to die with."**

Grochowski/Sygma

Lech Walesa, president of Poland **A more heroic version of George Bush.**

LECH WALESA led the strikes in t Gdansk shipyard that brought abo the fall of Polish communism in 198 and a grateful citizenry rewarded tl courageous onetime electrician wi the presidency of post-socialist Polan

It was roses, roses all the way at firs but the flowers soon turned to bric bats. His first term nearly over, Wale faces a reelection fight in Novemb with the polls showing him enjoyir just 13% support. Running well ahea is an ex-Communist politico, Alel sander Kwasniewski, 41. Kwasniev ski's Democratic Left Alliance can out of the old Communist Part Poles refer to the party as "pos communist."

Already these "post-communists share power, having triumphed i 1993's parliamentary elections an formed a cabinet. In Poland, as i France, political power is split be tween the executive and the legisla tive. The cabinet, responsible to th legislature, has executive powers. Th president, directly elected, has som legislative powers.

But if Kwasniewski wins nex month, his party will, in effect, con trol both major branches of the Polisl government.

Is Poland sliding back toward to talitarianism? Hardly. Capitalism i thriving here, even as the governmen backslides toward socialism.

Visit Warsaw-based ITI, a Polisl media conglomerate (sales, $100 million), and you feel you are in the U.S ITI's headquarters are air-conditioned—a luxury in Poland. ITI's owners wear Armani and drive Jaguars, in a country where most people have to count their pennies.

Ryszard Sibilski, who is in charge of film distribution at ITI, spews numbers on gross ticket sales for *Forrest Gump* in the U.S. and Poland. On his desk sits a stack of *Variety* and *Hollywood Reporter* back issues.

Half of Poland's GDP now comes from the private sector, versus just 30% in 1990. By general measures, Poland is doing fairly well economically, with the GDP growing at 6%, one of the best growth rates in Europe. In 1994 real wages rose for the first time since the fall of communism.

A good part of this growth comes from a vibrant food processing sector, recently privatized and working in

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tandem with Poland's already privatized farming sector. Free enterprise has also created the thriving bazaars at the borders of Poland, where Germans and Russians buy clothing or cosmetics made by private Polish entrepreneurs. But some of the growth is simply a spillover from increased foreign demand for the raw materials produced by Poland's inefficient but powerful materials industry: coal, steel, copper, semifinished products.

How to explain the paradox of a country that moves economically toward free enterprise while politically back toward socialism? Call it post-communist stress trauma. The inconvenient fact is that the majority of Poles have not seen a lot of improvement in their daily lives. Most of the 39 million Poles struggle on an average salary of $250 a month, almost half the money going just for food. (The typical American family eats a lot better on just 14% of its income.) Most of what doesn't go for food goes for rent. There's not much left over for shopping or eating out.

On a recent visit I came across a doctor selling Amway products door-to-door in his off-hours. Polish TV recently reported the attempted suicide of four children in a small town. The children said they were convinced their unemployed parents couldn't afford to bring them up. Chalk up a few thousand more votes

A Shell station (top left); soup kitchen (right); gathering signatures for a presidential candidate

Capitalism brought Poland foreign investment and soup kitchens. Will Poles vote for more security?

for the post-coms.

Call it cynicism or just call it smart politics, the old communists know how to capitalize on public discontent. A short-memoried public is forgetful of the drabness of socialism but is not yet enjoying the benefits of capitalism. Promise them you'll ease the insecurities of capitalism without returning them to communism, and you've got a lot of their votes.

The big mistake of the governments that ushered in the capitalist reforms in the early 1990s was a failure to warn people that capitalism, too, has its rough side. "Did any of them honestly tell us what price we would have to pay for the reforms? asks Piotr Zak, a press spokesman fc the Solidarity trade union.

The price for many Poles was a los of the old economic security; it ma have been bare-bones security, but s long as people kept their noses out o politics it was there. Tired of workin at meaningless jobs? It was easy to ge disability. Work in government owned factories was low-paying, bu the perks—subsidized vacations o professional training, for example— were substantial.

Therefore, when post-communis Kwasniewski promised to protec Poles from "the invisible hand of the market," they knew what he meant.

But even Kwasniewski was surprised at how gullibly the public bought his slogans. "I never expected, after our defeat in 1989, that we would be back in 1993 to form the government," he explains. The voters

had an even shorter memory than he had expected.

Kwasniewski's basic constituency is former Communist Party members or people who work in state-owned businesses and know their cushy jobs are in jeopardy. But his appeal is much broader: to those who regret the loss of the old security.

Psychologically, the sudden collapse of socialism deprived millions of Poles of their reason for being. What whole generations had spent their lives at—working in state industries or in the bureaucracy—was suddenly declared worthless. Along came the post-coms and told these people that it wasn't worthless. "They [the reformers] didn't leave people any sense of worth to die with," is the way Kwasniewski puts it.

The sad truth is that the election victory of the post-coms in 1993 has slowed Poland's progress. Miroslaw Gronicki, an economist with the Gdansk Institute, points out that half of Poland's GDP still comes from the public sector, and two-thirds of manufacturing is still in state hands.

When communism fell, the Polish government owned 9,000 companies. It still owns half of them. Some of the others were simply liquidated. Only 140 were good enough to sell to domestic or foreign investors. Such industries as transportation, coal mining or shipyards are still practically state monopolies.

And here's the real rub: Because their wages are set as much by politics as by economics, these state-employed workers get bigger raises than do those in the private economy. Little wonder inflation is at 30%.

Good politicians the post-coms may be, but they are not magicians. For example, in Hungary the ex-coms have already returned to power, but they have been unable to avoid imposing some austerity on the economy. The same thing will happen in Poland, but this will not prevent the ex-coms from slowing the pace of reforms and thus setting Poland back somewhat on the path to economic growth. Gronicki stresses the economy is already robust enough to protect itself from being turned around.

Since gaining control of parliament in 1993, the post-coms have increased disguised subsidies to huge state-owned companies that should be allowed to go bankrupt, and they talk about retaining state control over key industries. Retaining factories under government ownership becomes an enormous source of patronage for them. Of course, they no longer clothe state ownership in Marxist terminology. The appeal is much blunter: Vote for us and protect your jobs and pensions.

Recently the post-com parliament enacted a law that in effect slows down privatization. "From Malaysia to Madagascar, we must be the only country that requires the consent of the whole council of ministers to privatize a company," fumes a former free market privatization minister, Janusz Lewandowski.

The new law makes some concessions to changed circumstances. It would rid some government-owned companies of the workers' councils, which have a decisive say in nominating managers and running the enterprises. However, the companies would not be sold to private investors right away. And guess who would manage them? The very same ones who managed under communism. Give the ex-coms credit: They look after their own. The ex-coms argue that there aren't enough foreign or domestic buyers interested in buying or managing unprofitable Polish companies. And the only available managers are the ex-coms.

Where is the opposition to the post-coms? Aligned against them, of course, are the same forces that fought the Communist Party in the 1980s—the Solidarity trade union and the Catholic Church. Marian Krzaklewski, Solidarity's chairman, boasts that his union is 1.7 million strong.

But both Solidarity and the Church

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Pizza Hut in Sopot a resort city on the Baltic Sea **"The Church finds it easier to control souls without all the Western influence."**

are at least as big a threat to real capitalism as the post-communists. "Private owners are a problem, because they act like 19th-century factory owners," says Piotr Zak, Solidarity's spokesman.

The Catholic Church officially is above politics, yet many priests regularly tell parishioners how to vote. The Catholic Church has never been entirely reconciled with capitalism, and the Polish church doubly so. "They find it easier to control souls without all the Western influence," says a Warsaw businessman.

There are also the nationalist conservatives, a cluster of parties that pander to Solidarity's populism and the nationalism of the Church. But, unlike the post-communists, they are so hopelessly divided that they currently have ten potential candidates for the presidency.

Walesa? He's ticked off a lot of people on both sides of the spectrum; as many as 50% of potential voters told pollsters they would not vote for him. In many ways he's a more heroic version of George Bush—"Read my lips." Walesa says he supports privatization and promised he would distribute money to every citizen. He never delivered.

"I try to differentiate between what he says, which is rubbish, and what he does, which makes more sense," says pro-market economist Janusz Lewandowski. The economist gives Walesa high marks for vetoing the post-communist bill, which in effect slows privatization and turns power over to the old communist-appointed managers. However, the ex-coms overrode Walesa's veto.

Another opposition candidate who threatens the post-coms is the president of the Central Bank, Hanna Gronkiewicz Waltz, who garners 17% support in the polls, behind post-com Kwasniewski's 25%. A newcomer to politics, she has made it tough for the post-coms to bribe the electorate. She has done so by simply refusing to run the monetary printing presses.

In an interview with FORBES, Waltz spoke of further limiting the budget deficit by privatizing the insurance and pension systems in Poland. Even more than in the U.S., where the politicians also happily spend Social Security surpluses, in Poland the politicians effectively confiscate the national savings and use it to bribe voters.

Waltz at least has the courage to tackle Poland's crushing level of social security benefits, on which the government spent 40% of its budget last year. "We have to help those who really need it, but we cannot have people retire at 57," she says. To get privatization back on track she suggests a Czech-style system, whereby all citizens get vouchers that can be exchanged for shares in state-owned businesses.

In suggesting the use of coupons—which would benefit all of the workers—Waltz panders to the powerful Solidarity trade union. If elected, her impact on the economy would depend on whether she stands up to her allies, Solidarity and the Church, just as she now stands up to the post-communists.

Unfortunately, the reformers who guided the country in its early post-communist days are not likely to come to power. "Poland is like Alice in Wonderland," says Maciej Kosinski, whose EMTV company produces the Polish version of *Sesame Street*. "The post-communists, Church and Solidarity have not yet passed through the looking glass. But we [the free enterprisers] are already on the other side." For a while longer at least, Poland seems doomed to spend time in a purgatory that is neither capitalist nor socialist.

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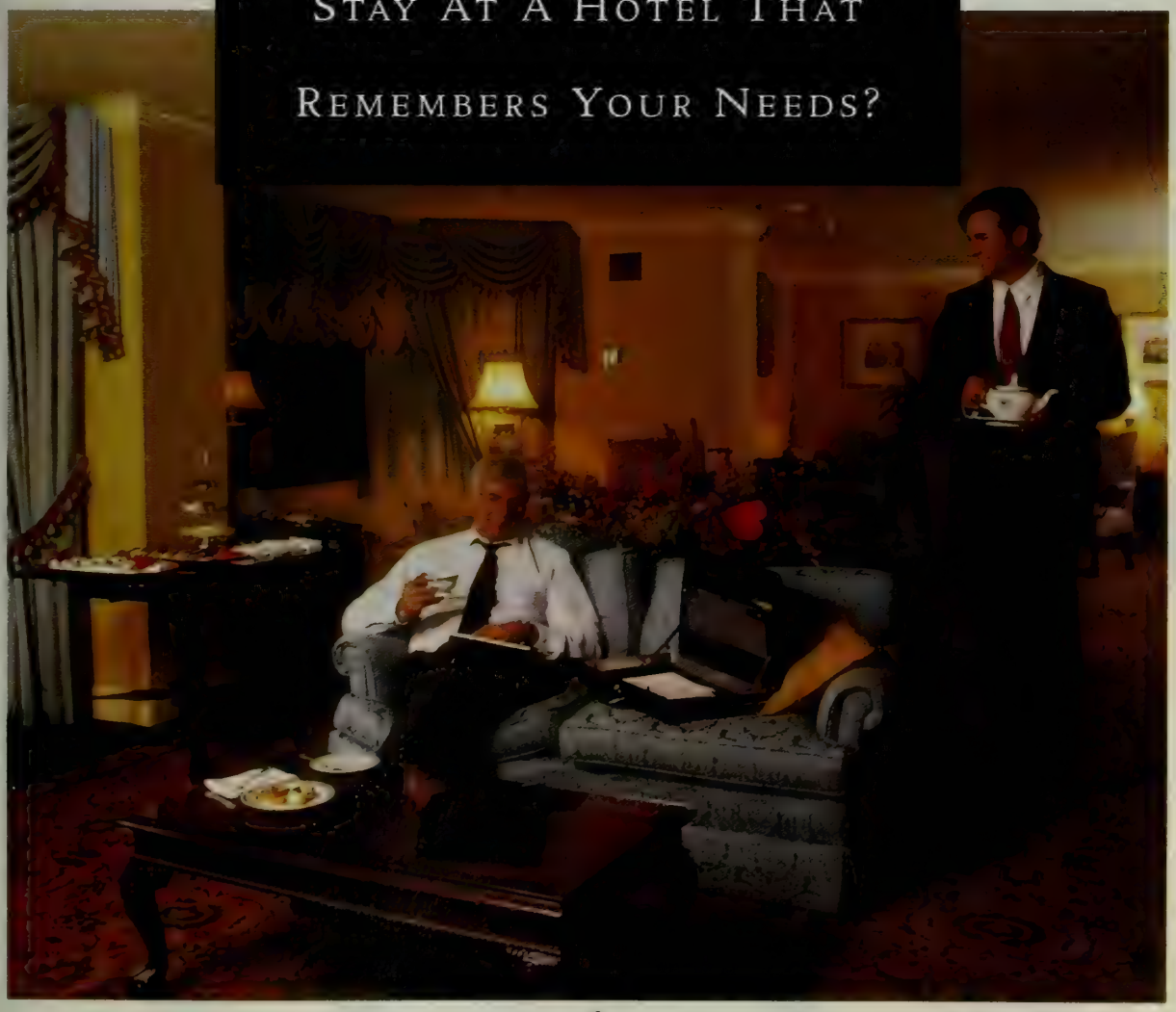

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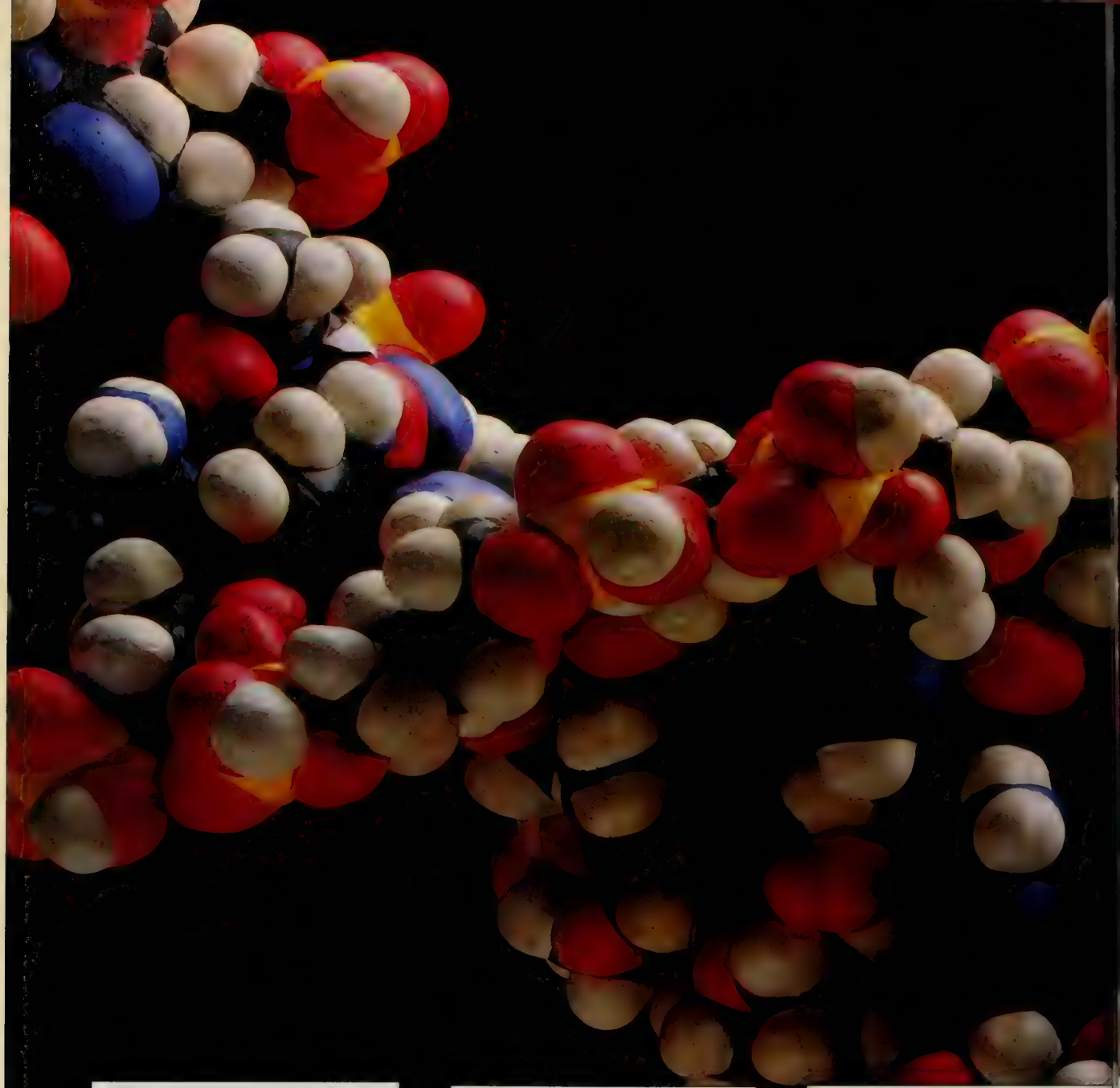

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What's behind the media megamergers? Ego? In some cases. Fear? Certainly. But mainly, the economics of the business has changed, says a media consultant.

Mergermania in Medialand

An interview with Michael J. Wolf by Rita Koselka

VIACOM/PARAMOUNT. Seagram/MCA. Disney/Cap Cities/ABC. Westinghouse/CBS. Time Warner/Turner. The number of media acquisitions in the past year has been as stunning as their sheer size and scope. Tens of billions' worth of assets have changed hands.

Is there really so much benefit in bigness? Do $10 billion companies *have* to become $20 billion ones? Is all this just a lot of stock market razzle-dazzle and a fee machine for investment banking types? Are the sellers the smart ones, cashing out at the peak of media/entertainment frenzy?

Being naturally skeptical, FORBES tends to suspect that there's more mania than method. But we put the question to Michael J. Wolf, a lead partner at Booz, Allen & Hamilton. Wolf has headed the consulting firm's media and entertainment practice since 1991 and has advised many of the companies involved. What does he have to say in the face of our general disbelief?

Forbes: Are these deals a mad dash to do something stupid rather than nothing at all?

Wolf: You are forgetting that the economics of television production have changed dramatically. This is one of the principal drivers behind a lot of the merger activity that we're seeing, and it suggests that media mergers will continue. TV production has become a low-margin business. Unless you have a very, very big hit show, you don't make an acceptable return. Often, your revenues don't exceed your costs.

Low-margin? Look at all those rich producers. They produce the content that's supposed to be the pot at the end of the multimedia rainbow.
The old model was: You created a TV show, like *L.A. Law,* hoping that a network would pick it up for a season or even half a season. It cost you, say, $1.2 million an episode to make the program. You deficit-financed the sale of the show, licensing a set of episodes to a network for, say, $900,000 to $950,000 for two showings. So you are out of pocket up to $300,000 an episode. The losses in some cases were much larger.

Booz, Allen's Michael Wolf
The new television economics: a 30-year, government-sponsored oligarchy is blowing apart, changing all the rules.

But you knew that if the show went four or five seasons, you could then turn around and go to local, independent stations, and get them to bid against each other for these shows. That's the syndication market. [Local stations have] paid $1 billion in total revenue for *The Cosby Show* since 1988. So you could lose money up front and make hundreds of millions on the back end.

Today things have changed. There are fewer [time] slots [for syndicated shows] because Fox took over many independent stations. UPN, the start-up network by Chris-Craft and Viacom, and WB, the new Warner Bros. network, have taken away others. Some of the surviving slots are being taken up by first-run syndication [series that were not first shown on network television] and by shows like *Oprah* and *Cops* which are cheap to produce (FORBES, *Oct. 16*).

It used to be that you could syndicate a mediocre show, but now there is less shelf space. So even if you run four or five seasons on a network, it's still not certain that you'll ever make enough money to cover your costs.
Like when there are too many brands of peanut butter and the smaller brands get crowded off the supermarket shelves. That's a clear enough analogy. Too many peanut butters, fewer shelves. So some brands die.
Right. When Lucy Salhany was head of television production at Fox, she canceled at least one show in production which already had a deal with a network, even though that meant taking a loss. She didn't think it would ever pay back the huge deficit of continuing to make it.
Which brands have the best chance?
Those where the networks have a piece of the action. Today the networks can own their shows. CBS now deals with Darren Star, the producer of their new show *Central Park West.* CBS owns half of it, and they've already given him a commitment for a half season. That gives the program much more time to catch on with audiences.
So when you own a network, you own not just the carrier but the content as well.
I mean, really it's pretty simple. If you step back from this and think about

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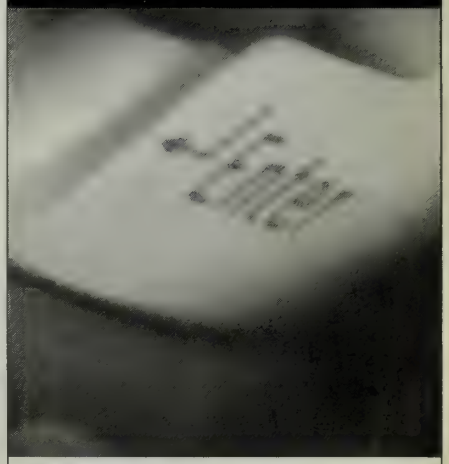

"If you want to know the answers... this is the book to read."
—Lester C. Thurow

Microsoft SECRETS
Michael A. Cusumano and Richard W. Selby

CBS' "Central Park West"

Networks don't just want to license programming, they want to own it.

what's really driving these mergers, you find people who own either content or distribution looking for access to the other.

Networks make money by selling time for commercials, but as a producer, you have no access at all to the advertising revenues. Who are the big producers? Disney, Warner Bros., Viacom/Paramount—all the people who are buying networks or are building them. What access to distribution means is access to advertising revenue.

Only a few years back people were saying that the networks were buggy whips.

Network TV is far from dead. People continue to watch an enormous amount of television. They're watching cable channels. At the same time, though, the broadcast networks continue to be incredibly strong platforms for reaching mass audiences. The networks now are trying to emulate the success of brands like MTV. And they're trying to [reach] younger [audiences]. We're seeing that immediately with hit programs like *Friends.*

Okay, content and carrier—complementary businesses, synergy, all that stuff. But come on. Does Time Warner have to own Turner? Disney, ABC? I mean how big is big enough?

The minimum hurdle for the size that you have to be in this business has gone up. Look, a couple years ago, a $2 billion to $3 billion company was a well-sized company. Now there is really a concern from the executives of a lot of these companies that they're going to get left behind.

The issue isn't just sheer size—behemoths crashing together. It's more a question of, do you have a whole set of assets that you can use to exploit a product? This is really what's going to differentiate whether or not these mergers are going to succeed: their ability to use scale to get a whole broader set of revenues out of any one brand or product.

Like the old meatpackers. They used to say they packaged everything about the pig except the squeal: bacon, baseballs, lard, chemicals even.

A fair analogy. It's no longer sufficient to make a great movie and have it do well at the box office. You've got to be able to exploit every piece of revenue that you possibly can, because the cost of creating and marketing the product is so great.

How do you package everything but the squeal in entertainment?

One of the points that's important is that nothing today in media functions in a vacuum. Various facets of the business can generate others. For e ample, a film can fuel big record sale as with *The Lion King,* or, in tur record sales can pull in a movie auc ence, like *The Bodyguard.*

The entertainment business is in pacting so many other parts of o economy today. It's driving traffic fast-food chains, it's selling toys, it selling cars, it's selling sneakers. Co sumers are making choices on ever thing from french fries to pajam based on entertainment properties.

Mouse ears on Ted Koppel?

I don't know about that, but Disney absolutely the best example of makir lots of cross-business opportuniti happen. They create a *Lion King* th starts off as a movie, but at the sar time it's a display in the store befo the movie even opens. Then there a records, stuffed animals, toys and vic eos. And all these are different div sions. Disney has a vice president corporate synergy, somebody who a tually figures out how they are goin to make this all happen across t businesses.

Synergy. Now there's a word that inspires skepticism.

Yes, but value gets created in thre ways. One of them is increment revenue streams from repackaging e isting properties and distributin them in other formats. Turner, f instance, has been brilliant at packag ing and promotion [like creating TN to have a second stream of revenue t pay for the MGM film library]. Eve when you look at their mature ne works, like TBS, it can show the sam James Bond movies, packaged t gether into seven nights of 007, an get a much higher viewer level.

[Another way to create value] is t create cross-business opportunitie For example, when MTV promote the hit movie *Clueless.* That's a gre deal. There's a cross-promotion b tween the two that really dramaticall enhances revenues. MTV is owned b Viacom, which also owns Paramoun which made the movie. They had th premiere of *Clueless* at the MTV M libu Beach House. They advertise the movie on MTV.

The third set of opportunitie comes about because you can creat new businesses. Viacom plans to us educational materials from Simon & Schuster and the programming fro

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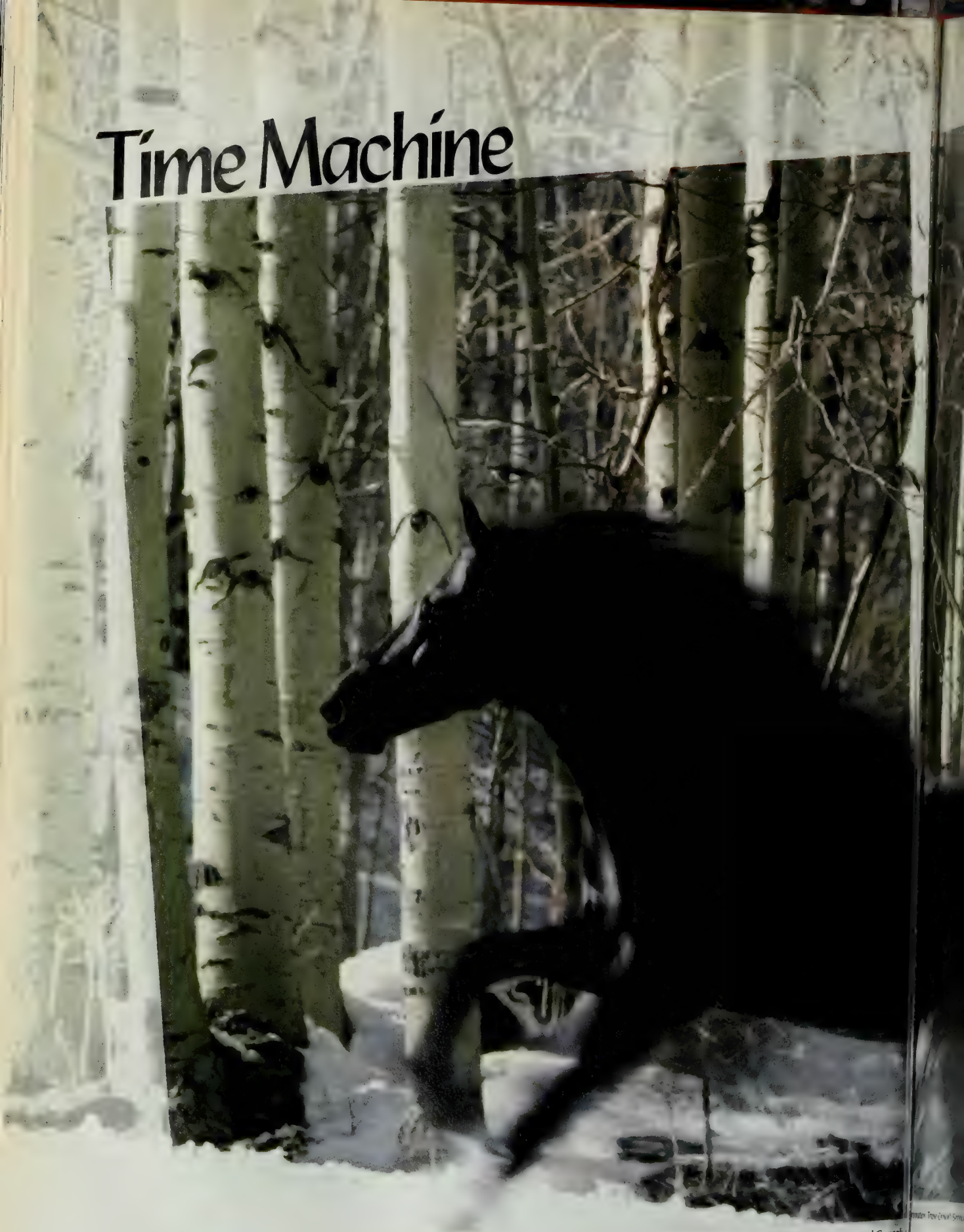

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Nickelodeon to create an education network.

Sony has a vast library. If you were to merge Turner with Sony, they could create unbelievable new sets of businesses. Sony doesn't have the skills or the capabilities today to create cable networks and to program them as Turner does. They've got a particular talent and a whole group of people that are very, very good at doing that. Those are the kinds of things that you'll expect. It's not just a combination of assets; it's also a combination of know-how and capabilities.

These opportunities are real. They are quantifiable.

Quantifiable?

One of the things that we were asked to do by the board of Paramount when they were in merger discussions was to quantify them. For Paramount, we figured that in their parks business, if you had Viacom-based attractions [both Nickelodeon and MTV] you could drive a huge amount of attendance and pricing increases. You could produce films based on the MTV and Nickelodeon properties—create new product. You could enhance Showtime content with Paramount content. You could enhance Nickelodeon, Nick at Nite, with the Paramount library. That's just repackaging. A lot of them, because of the nature of this business, won't happen easily if they're not all under the same roof.

So where's the quantification?

We found about $105 million in cost savings from merging Paramount and Viacom. We found around $35 million in incremental earnings a year from cross-business opportunities. Another $5 million from just content delivery, the repackaging of programs from the different libraries. And then another $130 million in new business opportunities, from Paramount and Viacom. These were pretty conservative estimates. In the case of Viacom these numbers are being realized.

You make it sound as if these mergers will cure everything, including the common cold. You must have seen a megamerger you didn't like.

I'll tell you a place where it's not going to work. Turner and Time Warner have a lot less potential. One of the things that the Time Warner folks keep saying—the reason why buying Turner is a good idea—is because the Cartoon Network can use Warner's Looney Tunes library. Well, guess what? They already have the Looney Tunes library on the Cartoon Network! Like, what are we, crazy? [Turner, in fact, owns all of the pre-1948 Looney Tunes. The others are already licensed to other networks.]

Given the kind of dilution that the shareholders are going to experience at Time Warner, there's going to have to be a real plan to dramatically increase the earnings as a result of this. And I don't think that plan exists. Is there really a whole set of untapped potential in the Warner libraries that will create businesses? There are certainly opportunities, but I don't think that they're that dramatic, or couldn't be done without combining.

Whitney Houston and Kevin Costner in Warner Bros.' movie "The Bodyguard"
Houston's megahit single pulled in new viewers.

If I compare the difference between Time Warner and Viacom, I think that the management of Viacom was single-mindedly focused on enhancing and producing a larger company that could in fact be more competitive. Time Warner has produced some opportunities on the margin.

Are there more mergers ahead?

In the case of both CBS and MCA, the full set of assets is not yet in place. Westinghouse will probably need to acquire a program producer. MCA will need to find more distribution.

When Disney bought Cap Cities, probably $10 billion of the $19 billion purchase price was, in effect, for the ABC network and its stations. Westinghouse is paying about half that for CBS. Did somebody overpay?

Westinghouse is going to have to put more money into CBS, but the potential leverage is quick and very large. Networks go up and down. I think that if CBS gets the right kind of programming, it could take only a couple of years. I don't think that we're going to see this going to the bottom line quickly, but you'll build back the value. [Westinghouse Chairman Michael] Jordan is going to have to repopulate the pipeline of management with great talent, bring in some people. One of CBS' big problems was that it didn't have great relations with its affiliates. That is something that Westinghouse brings. It has done a good job with local stations.

Going beyond fixing up CBS, some people think that networks are passé, that the sellers were smarter than the buyers. What about the threat to networks from the new technologies—the interactive superhighway, blah blah blah.

We haven't found anything that leads us to believe that interactive television is anywhere close. Many of our clients have asked us to look at this, and we've never found anything. The [yardstick] we should use to figure out whether these acquisitions are going to make sense is whether they grow the cash flow. It's very simple; it's the way you judge any other business. Have they really increased their cash flow or their earnings in a way that they wouldn't have been able to do on a stand-alone basis? ■

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Why does it sometimes take an outsider to refloat a sinking business? Because the outsider asks questions insiders never thought of asking—as Robert DiNicola did at Zale Corp.

Shaking things up

By Amy Feldman

JUST WEEKS after taking over his new job as chief executive of Zale Corp. in April 1994, Robert DiNicola was leading Zale's regular Monday morning management meeting. His executives didn't quite know what to expect. What did this department store type know about the jewelry business?

DiNicola, 48, opened the meeting with: "What are we doing for Memorial Day weekend?" He reminded his crew that it is one of the heaviest shopping weekends. Wh kind of special advertising have lined up? Would stores be open la and were store managers prepared staff them?

You don't snicker in your bo face, but some of those in the roo were thinking: Oh, oh, this g doesn't know beans about jewel Jewelry isn't an impulse item for ho day shopping. Jewelry is what you b for anniversaries and birthdays a weddings. You don't rush out Memorial Day to buy expensive rin and watches and bracelets.

Which—in DiNicola's view—is e actly what is wrong with the busine This old mind-set explained why th 1,200-store, $1-billion-a-year jewel chain was still doing badly even afte Chapter 11 reorganization th trimmed the chain by 700 stores a shed $1.2 billion in debt left ov from an ill-fated 1986 leverag buyout. The company emerged July 1993, but Chief Exe utive Dean Groussm abruptly resigned, and th company was driftin strategy-less.

Though he'd only brief sold jewelry before, DiN cola is a tough merchan with a knack for turn arounds. Most recentl he'd fixed up Federated Seattle-based Bon Marc chain, going head-to-hea with Nordstrom on i home turf.

The Zale board wasn just looking for a jewel person. They already ha that in Larry Pollack, wh had been brought in fro Kartens Jewelers as pres dent four months befo DiNicola. They wanted merchant who could brin new ideas. They lured D Nicola with a lucrative co tract. In addition to his fir year's salary and bonuses $1.2 million, he receive options on 575,000 share

DiNicola knew h

Doug Miner

Zale Corp's Bob DiNicola (right) and Larry Pollack

Changing the old mentality.

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couldn't fix everything at once. It was too late to do an advertising campaign for Memorial Day, but Zale managers did at least move clearance goods to the front of the stores as a way to lure the holiday shopping throngs into the stores.

The Zales and Gordon's chains are 70% of the company, the rest being in leased departments and some fancy jewelry stores, including Bailey, Banks & Biddle. DiNicola concentrated on the core business, the Zales and Gordon's chains. Over three years he budgeted $60 million for their renovation. While Zale's comparable-store sales increased 13% last year, revenues at the stores renovated so far rose nearly 20%.

Zale had long depended on wedding bells; 40% of its revenues came from bridal merchandise, compared with 25% for the industry as a whole. Earrings, bracelets, necklaces and watches were mere sidelines in which Zale carried skimpy stocks.

Because the bridal business is seasonal, Zale's expensive mall locations were sleepy places much of the year. When DiNicola took over, Zales' and Gordon's average per-store sales were an annual $650,000, well below the industry average of $950,000.

Bob DiNicola said the hell with tradition. So Zale sold 3,000 anniversary bands last Christmas, compared with a mere 300 the year before.

To beef up sales, DiNicola identified the 100 bestselling items. These included such pieces as diamond tennis bracelets, diamond anniversary bands and diamond stud earrings. Henceforth Zale would stock them in a variety of sizes and styles, and promote them on TV and radio, especially during holiday periods. Previously the stores had done only fuzzy, emotional ads that ignored actual products, and hadn't bothered to beef up advertising around holidays. In less than a year these 100 items have climbed from 30% of overall sales to 40%.

Zale previously had fixed its retail prices at around a 60% gross margin—that was the tradition. DiNicola said the hell with tradition. Let's accept lower margins and move more merchandise. A 1-carat, diamond anniversary band, for example, used to be priced at $1,295. Zale now sells a similar ring for $799. Zale sold 3, of those rings last Christmas sea compared with a mere 300 the before. What it lost in margin it m than made up in volume.

DiNicola decided that the Z and Gordon's chains needed cle and distinct images. The decision to make Zales the McDonald's of jewelry business, with national and standardized goods. Gordon being repositioned as a regional p er, with merchandise tailored to l tastes. Example: Gordon's will thick gold nugget necklaces in Ho ton but not in Seattle. But a Zale Dallas will carry virtually the sa merchandise as a Zales in Atlanta.

The results have b impressive. In the 1995 cal year, ended July Zale earned $31.5 mill on sales of $1.04 billi compared with $21.6 m lion on $920 million year, a 46% increase in ea ings on a 13% increase revenue. Next year, figu PaineWebber retail anal Michael Exstein, Z should earn $38 million sales of $1.1 billion.

DiNicola isn't finish shaking things up. He pl to open 250 new store the bulk of them Zales— the next three years. also has plans for new for of distribution.

Last month Zales s out 650,000 mail-order f ers as a test. The early turns weren't a knocko about 350 orders came But since the average ma order sale was for $300, t return was better than it seemed. mail order works, DiNicola hints a Zales home shopping channel or Zales Internet site.

"It's not going to be fixed ov night, but we've done two yea work in one year," says DiNico "This is not reinventing the wheel says PaineWebber's Michael Exste who worked with DiNicola as a buy at Macy's. "It's just executing t basics to bring the franchise back what it used to be." Fair enough, b restoring the franchise meant sha ing it up. ■

Doug Mahner

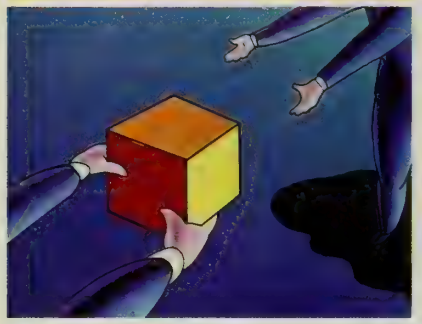
A remodeled Gordon's store

Once it had singing-whale commercials and cloudy diamonds. No longer.

INNOVATORS IN OUTSOURCING

BY HOWARD ANDERSON
THE YANKEE GROUP

INNOVATORS IN OUTSOURCING



This FORBES white paper, Innovators in Outsourcing, was prepared by The Outsourcing Division of The Yankee Group. The Yankee Group, with offices in the United States, Canada, United Kingdom, Japan, Australia and Brazil, has examined the market for outsourcing services within America's leading companies. The Yankee Group's clients are some 425 firms that are both users and providers of outsourcing services. Howard Anderson is Managing Director of The Yankee Group.

Since 1988, over 90% of the largest 500 companies in the United States have made at least one substantial commitment to outsourcing a major business function. More than 40% have instituted large-scale information-systems outsourcing.

Is this move toward outsourcing a new management fad or, rather, a fundamental re-focusing of the American corporation? Is it the same wine in a new bottle, or is it an evolutionary process that makes sense? Is it cost-driven or performance-driven?

In the past seven years, senior managers have become increasingly more sophisticated about outsourcing. They have learned that it isn't a panacea for all the problems of a company, but it might be an appropriate solution for some of the challenges today's firms face.

WHAT IS OUTSOURCING?

Outsourcing is the assignment of specific work to a third party for a specific length of time with an agreed-upon price and service level.

There, that wasn't hard, was it? Companies have outsourced specific functions for many years. Some functions are as straightforward as security services and cafeteria management, others are as complex as data processing and networking. Some firms start slowly, perhaps taking an entire function such as their payroll and finding a specialized firm that can perform that task at a higher level of skill and perhaps a lower level of cost. Others have transferred semi-critical functions such as logistics to an outside firm, putting the full onus of performance on another company.

No one in today's world believes that corporations should do *everything* themselves, but many would argue that there should be some limit — for what is a corporation if all its funct are outsourced?

Well, what is a corporation? Let with what it is not: It is *not* a collec of individuals bound together for a common purpose. Rather, a corpo is a *methodology for liquefying asset*

Liquefying assets? Absolutely! Th of a corporation is to take assets (resources, market position, intellec assets) and turn them from their r state into a state that speeds finan return to the owner of those asse that analysis harsh? It may be, but still fundamentally correct.

Every corporation has to do a r of primary and ancillary tasks if it i going to stay in business. Some of tasks are so important that they sh never be outsourced, such as deci on strategic direction. Other tasks, as running the print shop or the n room, have to be done competent easily can be outsourced. Many fun however, fall in the gray area in be

But we know that already. Wha don't know is the *effect* of outsou evaluation on the ongoing efficien a corporation. While outsourcing not be right for every company, th outsourcing evaluation is usually ri and is an effective management tc

Most multidivisional companies many ways of doing essentially the task. Each division is so convinced its way is the True Way that a con winds up spending considerable

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INNOVATORS IN

OUTSOURCING

resources to do what is in reality the same set of definable and measurable tasks. This was the case at Avon several years ago, when the company was considering outsourcing its data processing.

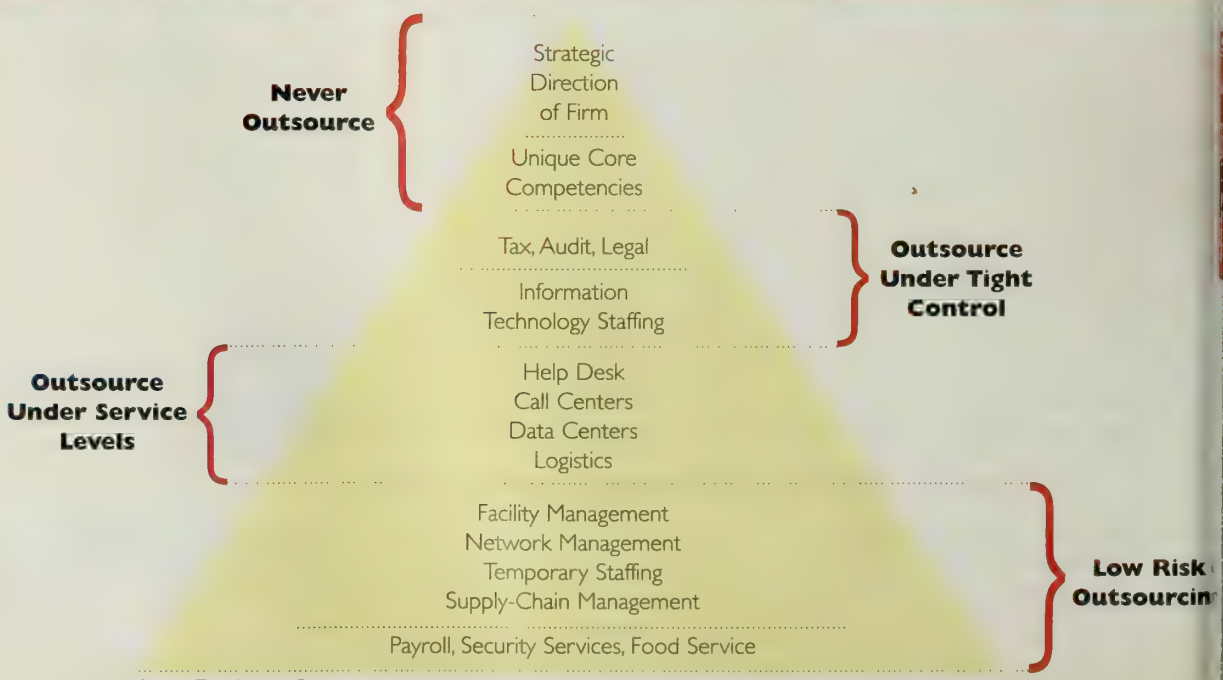
In the past, each division would pay lip service to cooperation with its peers, and then scuttle any cooperation. But when Avon began to do an outsourcing evaluation, the local fiefdoms realized that their best chance for success was to cooperate. In this case, the firm decided not to outsource but to *insource* — stay inside. But only by doing the evaluation was the company able to make the necessary changes and garner the benefits.

The American corporation today does hundreds of tasks: It hires and promotes secretaries, runs communications networks and answers the telephone, manufactures goods and ships them, sells goods and collects payments, designs new products, manages pension funds, raises money, feeds its employees, runs computers and builds software.

Any smart CEO knows that not every one of these tasks is strategic. Some are, some are not. Some are tactically important, some are not. Some are straightforward operational decisions, others are complex. We live in an era of Total Quality and Total Customer Satisfaction, and CEOs are loathe to rely on anyone else to perform any function in which less than acceptable quality could result. But in reality, do they have a choice?

The conventional wisdom is that t management should involve itself only "strategic" issues. Services such as faci management might fall into the "tactical" arena. Unless, of course, you are running a research and development facility that spans 20 buildings totaling million square feet across 500 acres. That was Glaxo Wellcome Inc.'s challenge and why the company contract for on-site integrated facility management services with Johnson Controls, Inc. Manuel Silva, Vice President of Corporate Engineering, puts it this wa "With our contract in place, we coul focus on the core competency of Gla Wellcome Inc., which is to fight diseas by bringing innovative medicines and services to patients and to the health care providers who serve them."

OUTSOURCING RISK PYRAMID



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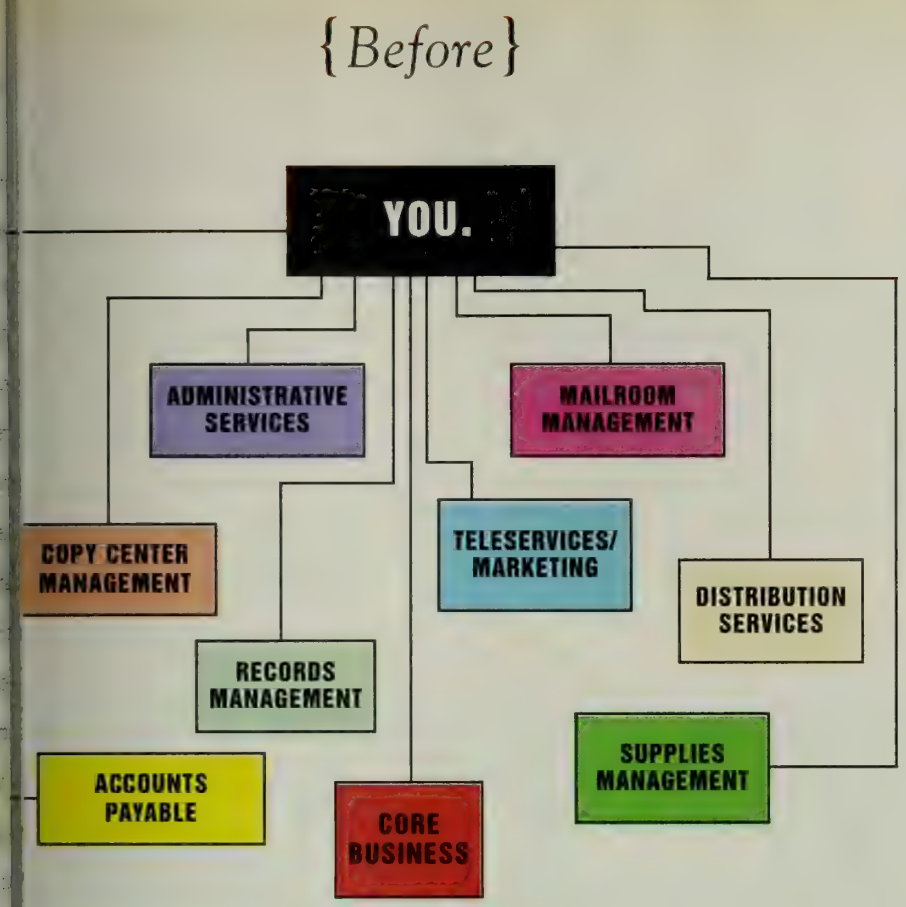

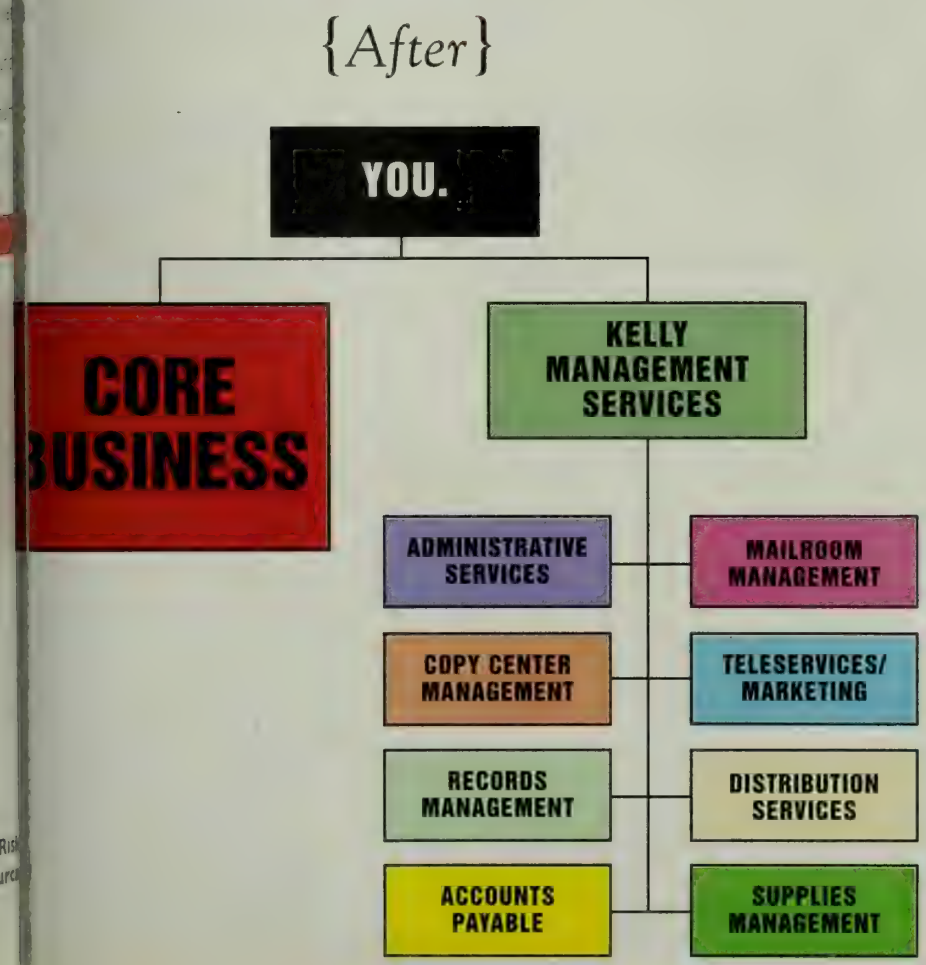

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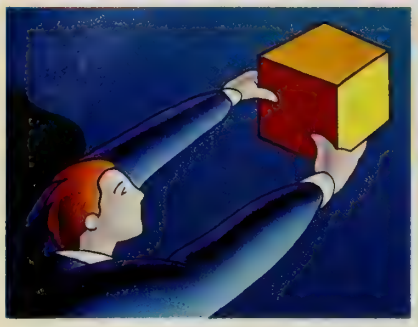

DECIDING WHAT TO OUTSOURCE

"Strengthen the corporate basics, not the corporate bureaucracy," says Joseph Neubauer, Chairman and CEO of ARAMARK, a world leader in a range of managed service partnerships. "General Motors makes cars — that is its strength and what it does best. IBM makes computers — that is its strength and what it does best. Outsourcing companies like ARAMARK manage services — that is our strength and what we do best."

Today, companies are content to build around their "core competencies" — declaring that there are some things that are so important that they should *never* be outsourced, while others are important enough that they could, under controlled and monitored conditions, be considered.

The job of management is to know which is which.

Years ago, I asked David Packard of Hewlett-Packard the source of his company's success. His reply was enlightening. He said that Hewlett-Packard always hired the best engineering minds out of the nation's top technical universities, and that was the "secret." Clearly, Hewlett-Packard would consider engineering a core competency.

Murem Sharpe, Vice President, Management Services, for industry-leader Kelly Services, suggests, "If a function isn't a revenue producer, if it isn't considered a good career opportunity for employees, and if it hasn't reduced costs by 20% to 30% in the past few years, it is ripe for outsourcing."

Let's be balanced about outsourcing. It is not the answer to every problem and should be approached with caution and common sense.

Ten years ago, The Yankee Group made the decision to outsource the monthly payroll. It was our thought that other firms could do a better, more accurate job than we could, and could do it at a lower price. Not only was handling payroll not our core competency, but it was the distinctive competency of the firm we hired.

Many companies have now come to the same conclusion. Management doesn't have to do every task itself; it only has to make sure that each task i done well. Its responsibility is to mana

Easily said. But in reality, it is impossi to know without some form of due diligence just how well each of these functions is doing. The functions that are critical for the success of one firm are only quasi-important to another. A Du Pont may decide that building n chemical formulations on a client/serv model is absolutely essential to both it short- and long-term interests and insi that these talents reside inside. An offic products company may come to the conclusion that building client/server solutions can be offloaded to those th have done it dozens of times before a are conversant with new object-orient solutions. Same questions, different answe

DETERMINING CRITICAL FUNCTIONS

So the first thing companies need to decide is which functions are super critic which are merely critical, which are important and which are strictly operation

Let's be balanced about outsourcing It is not the answer to every problem and should be approached with cautio and common sense. Companies rushin

Taxes. Internal Audit. Finance and Accounting.

There must be a reason many of your competitors don't do them anymore.

What makes companies successful these days is focusing on their core competencies. Well, if you've been wondering how you can spend more time doing just that, we suggest a talk with an Arthur Andersen business advisor about outsourcing. You'll be guided through our Outsourcing Framework that will show if full or partial outsourcing is right for you and how to reap the benefits. To gain an advantage many of your competitors may already have, call the market leader at 1-800-ARTHUR1. Or find us on the Internet at http:/www.ArthurAndersen.com **Arthur Andersen. Always a smart idea.**℠

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[MONASTERY OF ROUSSANOU, *Meteora, Greece*]

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A great building must also al itself to be a great environ- t. This means comfortable or temperatures. Superior ting. Proper humidity levels. vell, the ability to accommo- the various needs of those who bit it.

At Johnson Controls, our uit is to create the ideal build- environment.

One of the most practical ways to achieve this is through outsourcing. This is a tool whereby you contract with an outside company to perform typically in-house services that are often quite distinct from your core business.

We have over 40 years' experience in integrated facility management, and the skills necessary to manage an entire building. This includes energy management. Data and telecommunications network support. Even structural maintenance.

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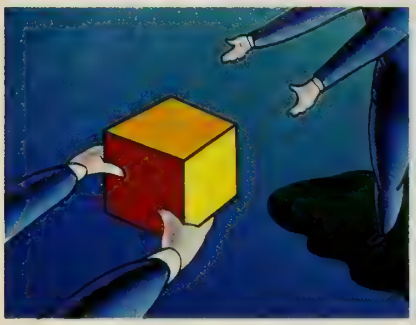


into outsourcing are going to get burned, just as companies rushing into quality programs, "management by objectives," or any other solution of the day will get burned. In its place, outsourcing can and does work — but wholesale outsourcing is as wrong as blindly rejecting outsourcing. What makes some outsourcing work and other outsourcing endeavors fail?

Bill Warrick, National Director, Accounting and Auditing Support Services at Deloitte & Touche LLP, has seen it all before. "Tight definition of objectives is a critical first step. Too often executives with good intentions see outsourcing as an answer looking for a problem."

Warrick advocates care in using such a powerful tool but adds, "Win-win objectives where outsourcing does make sense may include gaining access to world-class capabilities, perhaps realizing definable productivity gains from zero-based re-engineering or meeting an internal resources shortfall."

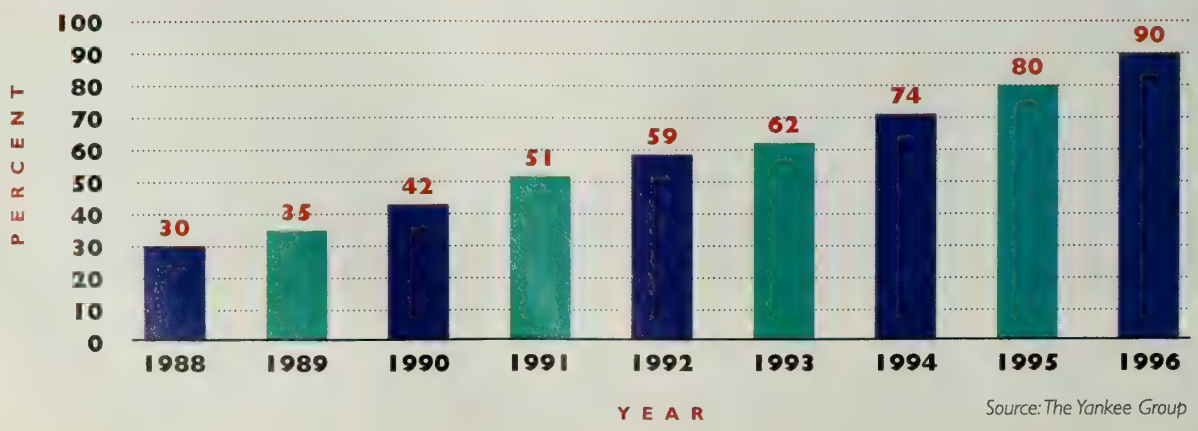
The outsourcing services arm of Norrell Corporation has assisted the U.S. offices of an international technology company in eliminating the time and costs associated with training and maintaining an administrative staff. Norrell trains its employees on the client's processes, and focuses on improving productivity, enhancing service levels and reducing turnover and overtime.

The technology company outsourced to Norrell the management of its administrative functions including secretarial, switchboard, text processing, desktop publishing, graphics and multimedia services. Norrell developed customized orientation and training plans for each of these groups and provides expert on-site supervisors. "In addition to the desired productivity increases and expense decreases, the client has also benefited from an increased level of accountability within the business support and administrative services functions," says Tom Cotney, Vice President of Corporate Accounts for Norrell Corporation, one of the largest temporary help and outsourcing services companies in North America.

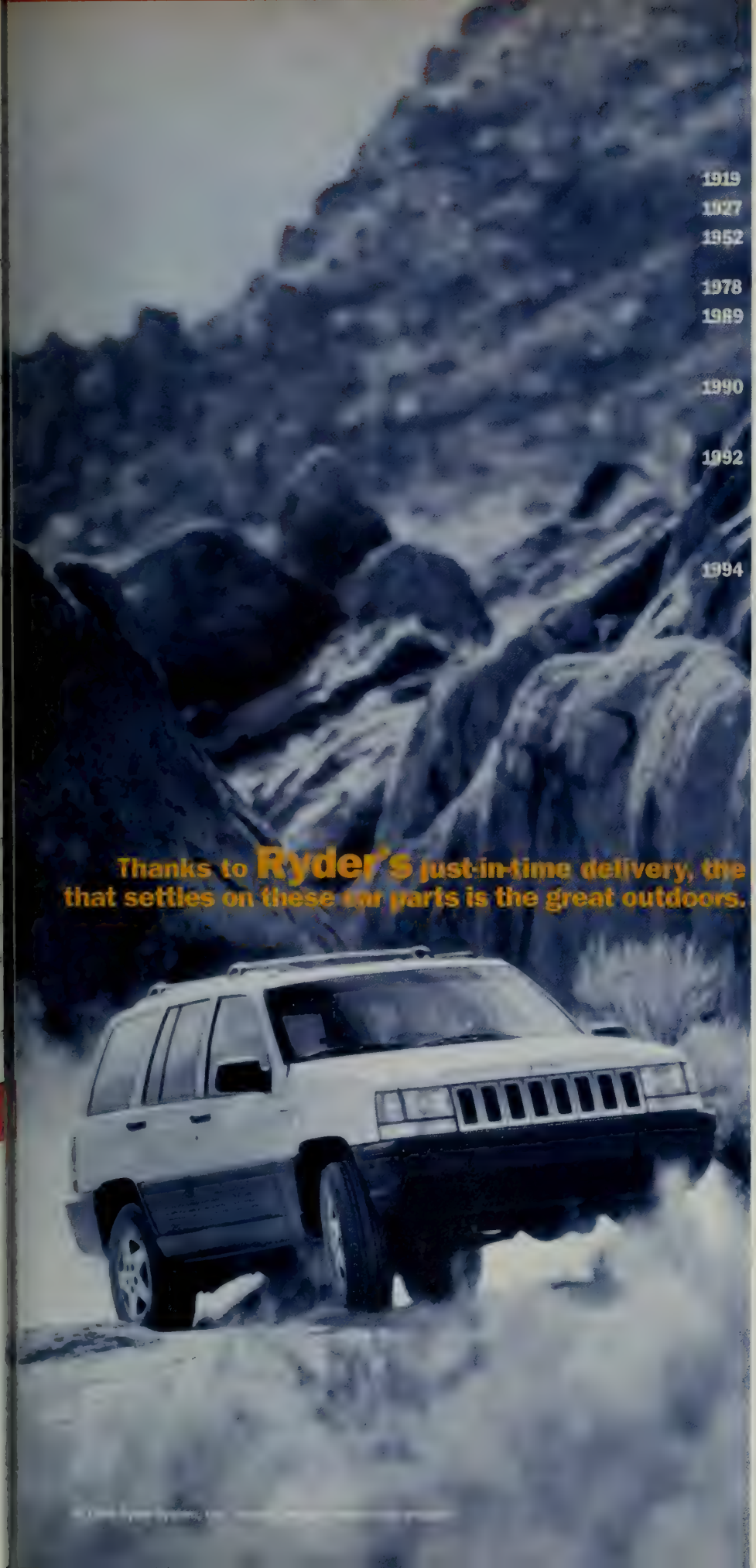
ESTABLISHING METRICS

An insourcing/outsourcing decision process starts with some benchmarking measurements, or *metrics*. The metrics that a company uses are the first step in a rational analysis. For example, if data processing costs for the rest of an industry run 1.5% of sales, then a figure

Percentage of Yankee Group 500 Companies That Have Outsourced at Least One Major Business Function



Source: The Yankee Group



Chrysler Corporation

1919 Walter Chrysler becomes president.

1927 Begins producing the De Soto.

1952 Manufactures space exploration missiles for the U.S. Army.

1978 Lee Iacocca takes over as president.

1989 Chrysler rewrites the book on automotive design with the launch of the Platform Concept.

1990 Becomes Ryder Dedicated Logistics customer for inbound deliveries.

1992 **Just-in-time delivery helps Chrysler get thousands of parts from over 700 suppliers on an as-needed basis, reducing the need to store plant inventory.**

1994 Ryder receives Gold Pentastar award for improving efficiency and overall quality of service.

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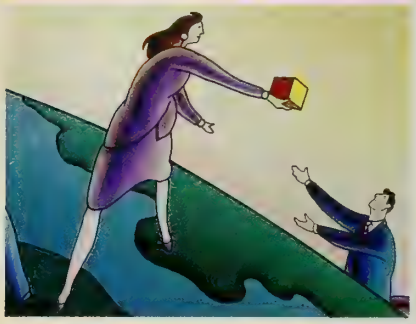

of 2.5% may be enough to set off an alarm. But choosing which metrics to use can be tricky — and getting comparable statistics for your industry may be difficult.

Some things are difficult to benchmark because of their qualitative aspects, but when it is possible, benchmarking is one management tool that really works. Example? Let's look at operating costs for office buildings.

"Every building owner should be concerned with operating costs, but buildings vary in quality — and by geography," says Larry Fenster, Executive Vice President of ServiceMaster Facilities Management. "But the metrics are there to figure comparable operating costs. Our advice is to begin by getting the *Experience Exchange Report* from your local Building Owners and Managers Association. Then compare your metrics to the type of building in your area. If your operating costs are higher than the average, then it is time to get serious and ask an experienced professional to come in, do an evaluation and make recommendations."

Many companies choose to compare their ongoing operations to themselves and thereby measure improvement.

A customer hot line may measure the number of calls per agent. But almost every company has an agenda item of metrics that we call "innovation without headcount," which means the company can keep its growth at a much higher rate than the number of employees.

Innovation without headcount suggests that one of the key measurements a company can make is sales per employee or profits per employee. While striving to increase the numerator, more rapid improvement comes from decreasing the denominator. Those dozen employees who are in a support function can easily be moved to an outsourcing vendor, which leads to an immediate improvement.

One function that has been outsourced most often is corporate data centers, the computer operations that do the heavy lifting for the corporation, often running seven days a week, 24 hours a day.

Management, however, often wonders how an outside firm can do a better job and earn a profit when it sees itself as a cost-conscious entity. Somehow, it seems impossible that other firms can be both more efficient and more profitable under a cost structure in which the proposal price comes in under the company's internal cost. Management reasons this way: "They have to make a 15% profit; we need to see a 10% savings; so they have to be 25% more efficient than us to begin with. Add to that their administrative and marketing costs, and they are easily 40% more efficient. Is that possible?"

The disturbing answer is often yes. The outsourcing firms may have developed methodologies over the years that far surpass what a company has internally. Their advantage may be in software, or perhaps it is in supervision. You may have a benefits package for your entire firm that is significantly more generous than the industry standard. The outsourcing firm may have made investments in training far beyond what companies may want for tasks outside their core competencies.

AVOIDING THE PITFALLS

All this discussion about concentrating on core competencies is fine, but what is not immediately obvious is that when a company has to invest both capital and human resources, it makes these resources unavailable where they are more needed.

Rick Roscitt, Managing Partner, Worldwide Outsourcing Practice, AT&T Solutions, is quite outspoken on the

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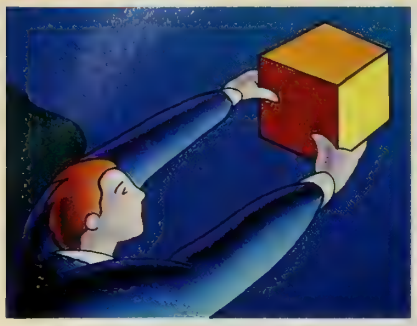

issue of asset deprivation. "When a firm pulls resources away from the core business and deploys those scarce resources on changing technological issues, it is only a matter of time before these actions will force that firm to competitive disadvantage.

"The real key to longer-term sustainable advantage is the ability to react to the market and turn on a dime. When a company finds itself in the position that it is both robbing the core of scarce resources and has become slow to react, this should send a signal, a wake-up call, to management that they have a major business problem — and one that may be solved by a technology-based outsourcing solution."

Roscitt's argument is that sustainable competitive advantage means deciding on an allocation of resources — and every company will be judged by just where it puts those resources.

One function that has been outsourced most often is corporate data centers, the computer operations that do the heavy lifting for the corporation, often running seven days a week, 24 hours a day.

Lorraine Drake, Executive Vice President of Alicomp Inc., and an expert in these data centers, puts it this way: "The major problem is that executives don't ask the right questions when it comes to deciding if they are getting the *best* bang for *their* buck. They should be asking, what are the fixed and variable costs? Does that include hardware, software, personnel, telecommunications, environmentals, space and risk-management expenditures?"

But knowing your real costs is only the first step in determining if the data center should be insourced or outsourced, because measuring the quality metrics is equally complex.

Drake continues, "Ask what the quality performance measurements are — are you looking at system availability? Response time? Trend lines?"

The third part of the equation is the most tricky — deciding where the technology cards are going to fall. Companies must address *exactly* what their technology plans are: if the mainframe center will coexist with new client/server solutions, how can both technologies, and their required resources, be budgeted simultaneously, especially since declining or transitional use of the data center can be both inefficient *and* costly.

Drake concludes, "If information technology is *not* a core competency of the company, the answers to the most

OUTSOURCING CHECKLIST

Name of Department:

_____

Rate on a scale of 1 to 5
(1 = poor, 5 = excellent)

1. What is our current situation?
___ Expense levels
___ Skill level of people
___ Satisfaction level of internal customers

2. What is our five-year projection?
___ Expense levels
___ Skill level of people
___ Satisfaction level of internal customers

3. For companies our size, in our industry, how do we stand?
___ Expense levels
___ Skill level of people
___ Satisfaction level of internal customers

4. Is this function super critical to our success and a core competency?
Yes No

Critical to our success but not a core competency?
Yes No

Important to our success but able to be satisfied by service-level agreements with key outsourcers?
Yes No

5. Who are the key outsource vendors with acknowledged skills, reputation and financial strength?

_____

Phyllis Hufford, Administration Manager, Lexmark

"With Olsten outsourcing our administrative services, mailroom and reprographics departments, I never stop to think who's who. Because all functions are totally integrated."

Lexmark is setting the pace in the design and manufacture of desktop printers and other information products. Committed to innovative management as well as products, Lexmark turned to Olsten Integrated Management Services (IMS).

"Their on-site supervisor manages operations so efficiently," says Phyllis Hufford, Administration Manager at Lexmark, "we save time *and* money."

Olsten IMS integrates its management practices and full-time people *into* an organization's unique structure through a rigorous process of analysis, implementation and ongoing management.

"Olsten trains its people to fit our environment and our systems," says Phyllis. "It's seamless."

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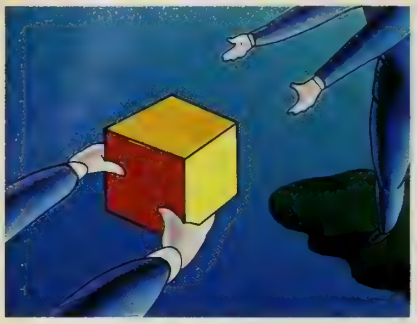

basic questions should motivate an executive enough to begin to decide if outsourcing might be beneficial. Plusses such as reduced costs, equal or better quality service, and flexibility in regard to technological strategic direction should be enough to entertain the idea of outsourcing the corporate data center."

VENDOR STRATEGY

The outsourcing vendor starts from a different perspective. It begins by looking at the job and asking the questions, "How can I deliver the agreed-upon service level? What resources do I need, and when do I need them? What level of supervision does this job require? What are the best practices in the industry?"

Let's stick with the data processing example for a minute. A corollary of maintaining computers is the concomitant training that goes with them. If every employee has a computer, then who trains everyone on new software and operating systems? If you assume that a 1,000-person company has 1,000 computers and each person will require five hours per year in training on average, then this task alone is 2 1/2 full-time equivalents — except that a whole raft of talents are needed, and rare is the firm whose computer training department can handle all types of training.

"A company will go through a transition to a new software suite once, but a good outsource vendor will have helped dozens of clients manage such projects. These outsource vendors have built up both economies of scale and an experience base that just make much more sense than a company reinventing the technology training and support process within itself," says Timothy C. Preheim, Chairman, Productivity Point International, a provider of software training solutions to the corporate market. Preheim's point is that every time a new software suite comes out, a typical company has to start from ground zero, whereas training providers manage the risk of new technologies for their clients.

Part of the problem is that no managers jump up and suggest that their department is "ready for outsourcing."

Cathy L. Welsh, President of the Technology Management Division, Systems & Computer Technology Corporation, adds, "First look at the pa threshold endured by a company; if it's too high, that's the first indication there is a major problem. Then look underneath that to find out why they are having so many problems — are they having trouble getting the informati that they need when they need it, in a usable, easily accessible form?" Welsh makes the point that this assessment h to be quantified, and the best way is through comprehensive interviews wit policy makers and key users.

"Most important, determine if the technology is helping the company atta the necessary return on investment, bu don't stop there," warns Welsh. "Drill down. Is it the obsolete nature of the technology or the support requiremen What's the project activity? What are th costs of the project and what percent are on time? Where is the company in the systems development life cycle? Which software productivity tools are place? Put all this together and you get picture of the state of the information systems and a map of what needs fixin Then either fix it or find a firm that car

Mike Meyer, Executive Vice Presiden of Cap Gemini America, delves further into the problems that companies encounter today. "Their basic problem one of systems transformation; compani have in place a set of solutions that serv

Most outsourcing providers offer a road map.

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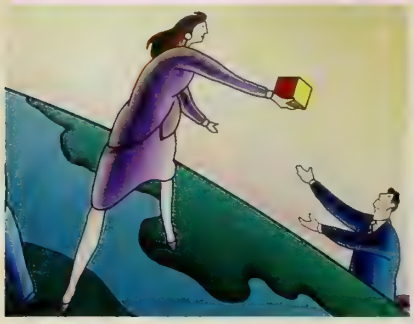

them well five years ago. But as the basic nature of their business changes, technology also changes. The strategic systems planning necessary to understand both is dizzying in its complexity. It's not unlike trying to repair an airplane while it is flying. The best solution we've found is to break the problem into thirds — consider moving to a new open set of platforms internally, then take the remaining legacy solutions to an outsourcer while offloading support functions such as user training, LAN and WAN support and help desk." Meyer points out that the systems-transformation issue is not a quick fix. A three-year period may be necessary to design, install and implement, and the older system must still be up and running fault-free.

WHERE TO BEGIN

Part of the problem is that no managers jump up and suggest that their department is "ready for outsourcing." Management begins by analyzing where outsourcing could play a role, and then does the rote work to determine whether there might be a better way. The problem becomes more complex when much of the data that is needed to do competent analysis comes from the managers who potentially might be affected. Managers and employees not only *feel* threatened — they *are* threatened. Some of the data needed by a firm to do an evaluation is quantitative, and some is qualitative. The former is often easier to obtain than the latter. What a company is attempting to do is determine the cost of various activities, and then decide if competent outside firms can provide that function faster or at a lower price.

> ***Don't become so enamored of the new and shiny that you forget the prudent approach of protecting the legacy.***

Most of the functions targeted for outsourcing are not profit centers but cost centers. They "sell" their services to the rest of the corporation — except that the price of these services may be bundled into an allocated overhead cost and the benefits may not immediately accrue to any one division or group.

Management must begin by ascertaining how satisfied the internal customers are with the level of service and the internal transfer cost. What internal agreements are in place? What level of service is being contracted for? What level of service is being delivered?

Every corporation builds fiefdoms, domains where support functions are carried out, sometimes well, sometimes not. But the fiefdoms themselves can become bureaucracies with high-cost, high-overhead operations.

Donna P. O'Neill, Director of Integrated Management Services at Olsten, has a unique answer, "Blow them up. Instead of having separate operations for mail centers, reprographics centers, records-retention centers, scanning centers, word-processing centers, combine them into one accountable business support center whose mission is an integrated management function. Either build this yourself and be world-class — or find a firm that is already world-class."

O'Neill's argument is that each of these fiefdom centers has peak and slack demand; a business support center can move people and resources according to need. If the scanning center peaks at 10 a.m., the mail room can "lend" its staff and then take it back at 2 p.m.

Further, each of these functions can be held accountable through a service-level agreement. The key, as with any problem, is first to measure it, then manage it.

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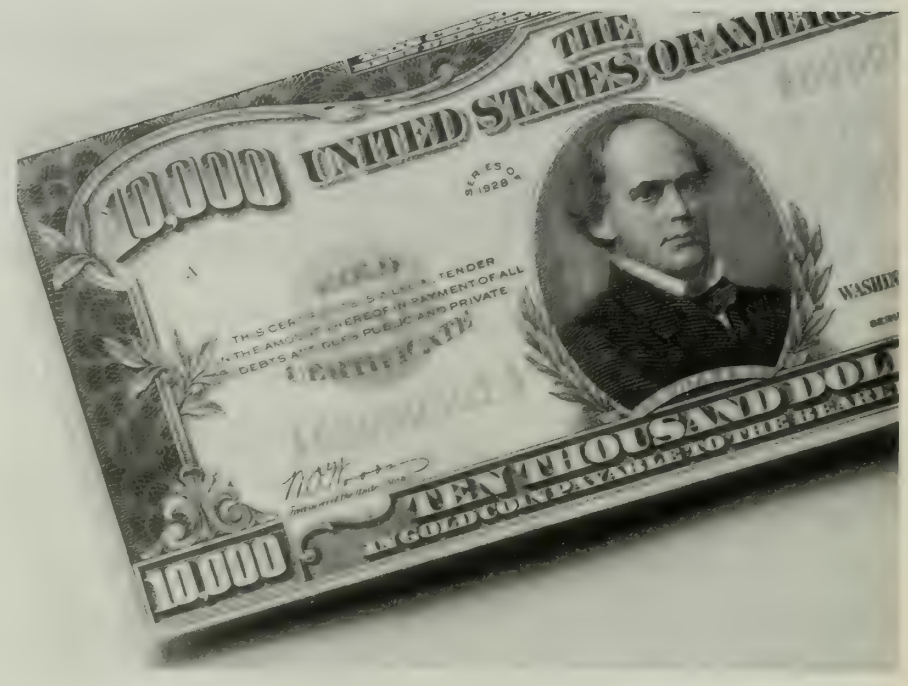

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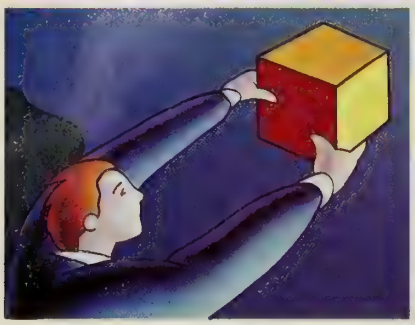


KEEPING AN EYE ON COSTS

Sometimes expense items seem to creep into companies like fog. One area that once was almost inconsequential, the management of personal computers, has become a major expense item. Only 40% of personal computer expense is managed by the corporate information technology staff; the remainder is handled by divisions, profit centers, work groups — or not handled at all. American industry is rapidly approaching the point where virtually every white collar — and gray collar — employee has a personal computer. At minimum, the cost is $1300 *each* for first-level basic support.

Even worse is the cost of the portables. This year portable laptop units will be 40% of the total units purchased, and many mobile professionals have not one but two personal computers. How does a company determine if it is spending too much at the desktop — and whether this also is a function where an outsourcing evaluation is overdue?

"There's a simple test — ask your corporate IT people for an accurate, up-to-the-minute, enterprise-wide inventory of hardware and software," says Gerry Gagliardi, President, Unisys Global Customer Service. "If they can't produce this, the odds are excellent you are probably spending twice as much as you should — and you are out of control." Gagliardi makes the excellent point that you cannot support what you cannot see, and that a *methodology* that tracks service calls, warranties, end-user training and upgrades is necessary. Many corporations have decided that they either do not have the systems in place — or they don't want to have the systems at all! Even though desktop services are one of the fastest-growing, it is also an area where outsourcing seems to make sense.

Americans and American industry have long had a love affair with new technology. We have deployed new services like voice mail in our homes and our offices; we incorporate spreadsheets in every presentation and have adopted cellular phones like pet dogs. Much of the expense has been cost justified. We have argued long and hard that "staff not hired" is the primary reason for these expenditures. We also claim to be getting 20% more work done using this technology.

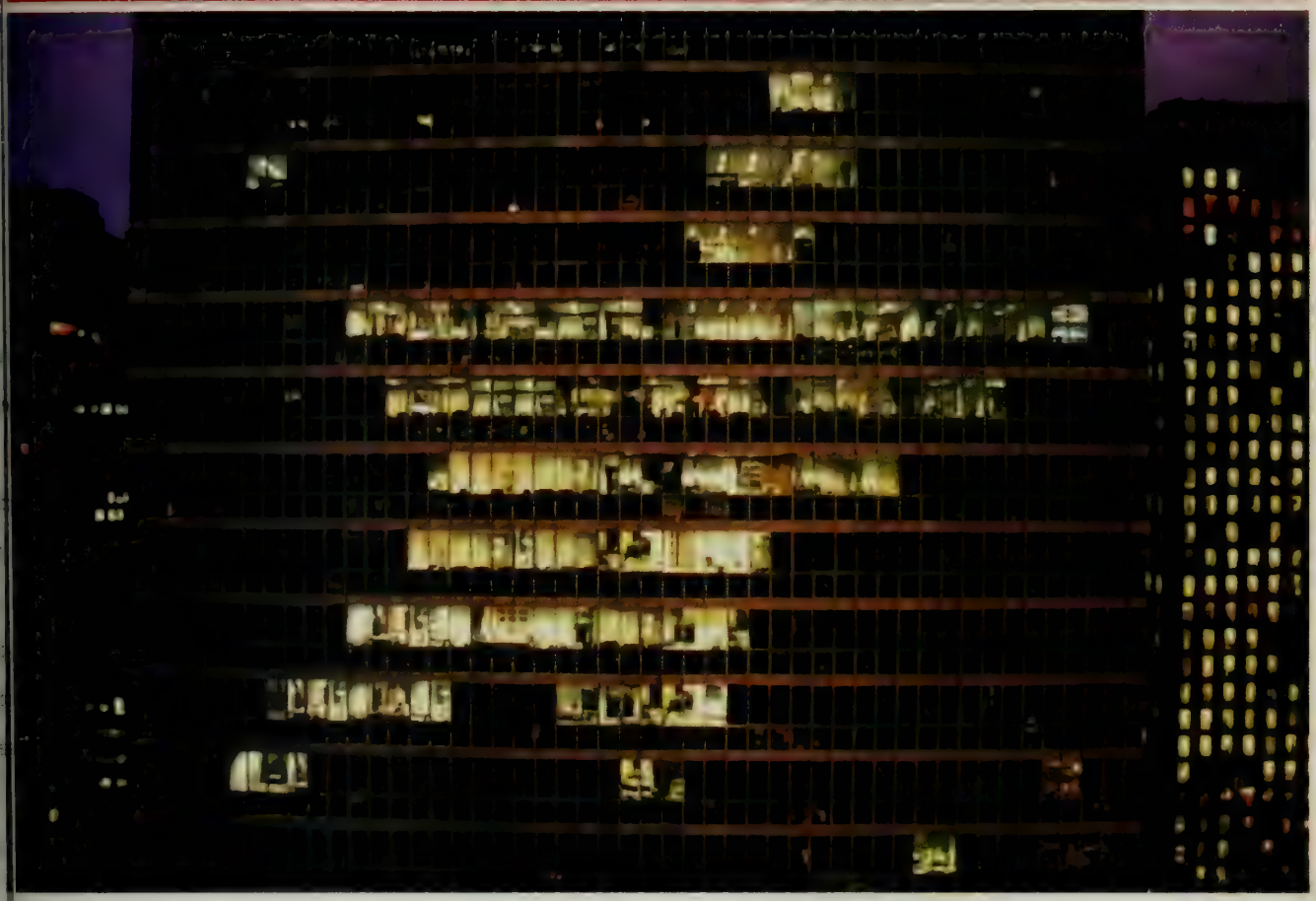
Peter Cremidas, Vice President of Professional Services at Litton, thinks we have been too shortsighted. "New technologies must not be viewed primarily as another cost-reduction vehicle," he says, "but as enablers to reshape business processes." Cremidas argues that business issues and objectiv not technology, should drive success.

It's an irrefutable point that organizatic must develop a "quantifiable" business case for change, but all too often we arrive at a decision and then back into the analysis that gives us the conclusio we want to reach. Cremidas' point bea further scrutiny: Don't become so enamored of the new and shiny that you forget the prudent approach of protecting the legacy.

EVALUATING OUTSOURCING NEEDS

Who should do the outsourcing evaluation? Ask the internal folks who run that function and you will always g the answer that they should do the evaluation as well as make the decisior Not surprisingly, this doesn't work well

An alternative is to ask the outsourci vendor to do the evaluation. This has some appeal because the vendor know at least some of the questions to ask and should have a better idea of what the industry's standard best practices are, but many feel this can have a less-



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Or maybe when you took a break, we were restocking the vending machine and making sure you had enough coffee to get through your meetings.

It could be you shared a joke with an ARAMARK food service manager as you passed through your cafeteria serving line. "What's good?" you asked. And she laughed, "Two weeks in Cancun would be good."

Perhaps you were there when the ARAMARK truck pulled up with the afternoon delivery of fresh, clean uniforms for the crew.

Or maybe late in the evening, as you were finishing off your "to do" list, someone with a little star logo on his shirt came in to clean your office for tomorrow.

But then again, maybe you haven't met ARAMARK yet. We can fix that. Just call us at 1-800-ARAMARK.

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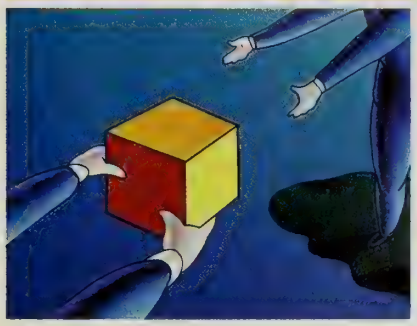


than-desirable effect. A company may want a number of firms bidding on its work, so showing one of these firms its internal workings may give it such an advantage that the other firms will be reluctant to bid since they believe the contract is already awarded.

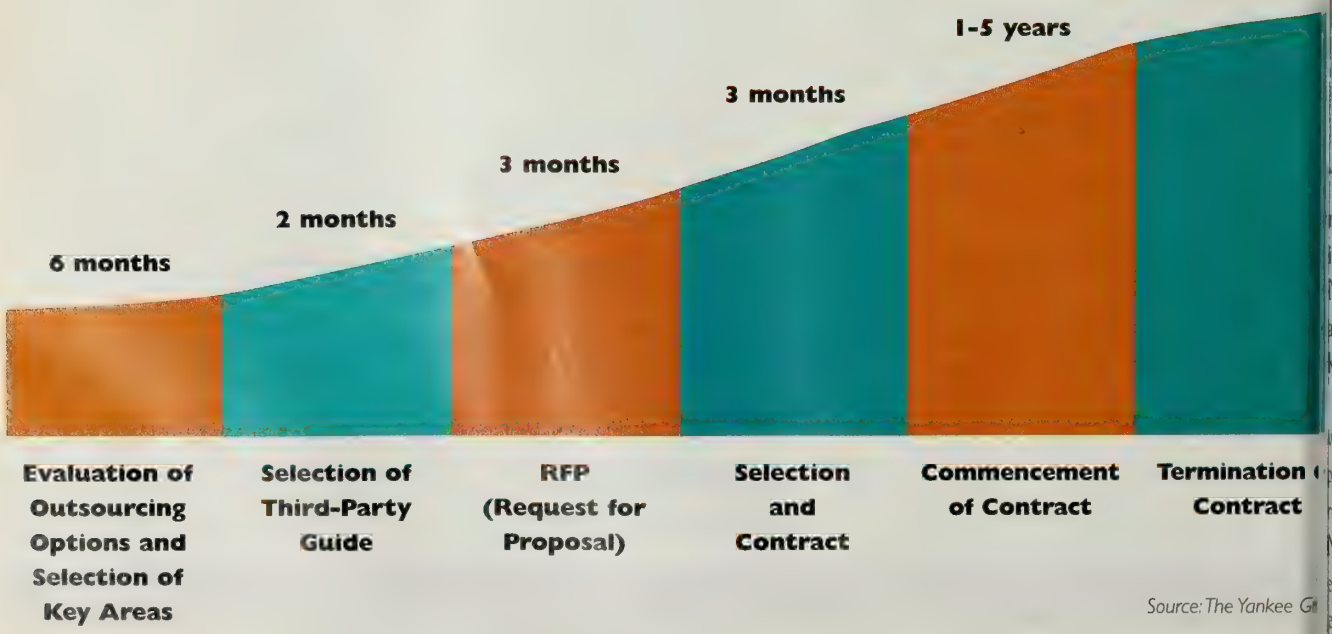
A third approach is to hire a consultant. The advantage to this approach is that consultants have gone through this procedure often enough to have the internal expertise and the metrics. The disadvantage is that expertise goes home with the consulting firm. In any case, hiring consultants may be disruptive because they will need some level of internal numbers to do their job. One suggestion: If you do use consultants, do not let them bid for the outsourcing job themselves. Insist that they "declare" — like High-Low Poker. If they have the expertise themselves, are in the business and want to be considered as a provider — fine. If they want to do the evaluation, then they should not be a contender for the ongoing business.

The fourth alternative is to do the evaluation yourself. The advantage: It's your business, and you will know what levels of service you really require. The disadvantage: Who internally does the evaluation? The financial staff and the chief financial officer? Operations? Gene managers? While the CFO has the advantage of having the books, often t position is undermanned. Doing any p of the outsourcing evaluation takes serious time, perhaps as much as six months. The potential benefit must be important enough to consider devotin that amount of time to the process.

STRUCTURING AN EVALUATION

Change, no matter how beneficial, is disruptive, and organizations can stan only a certain amount of disruption before it becomes detrimental to

The User Looks at Outsourcing



Source: The Yankee G

Jim Wilhite, Human Resources Manager, M.W. Kellogg

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As Jim Wilhite puts it, "With Norrell's help, we're more competitive and profitable. We're also better prepared to deal with peak-period workloads and major projects as they arise. And most importantly, we're better prepared to serve our clients."

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performance. No one wants to go through an outsourcing evaluation and implementation only to have the same result at the end of the day. You either want significant performance improvement or significant cost improvement — or both. Let's walk through a typical process.

STEP ONE:

State the problem.

Company perspective:

"While we see that most of the largest companies have now committed to doing some outsourcing, we have no assurance that a bigger commitment is either correct or appropriate for us. At the present time, we are only 'interested in being interested and willing to listen.'"

Action items:

Invite your outside auditors to an informal meeting to discuss areas they believe might benefit from a closer inspection. List specific functions that might be worth considering for outsourcing. Go no further than this exploratory meeting.

Call a meeting of your general managers, and have someone from the outside come in to demystify outsourcing. Have your financial officer present areas in which other firms have used outsourcing, and query your general managers: Which of your three main competitors have utilized outsourcing? What new demands for speed, product improvement and total quality will the firm be subjected to over the next few years?

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STEP TWO:

ck three areas to investigate.

mpany perspective:

"We only want to consider outsourcing hose areas where we are unhappy with present situation. Our unhappiness be due to costs, trend lines, relative tion within our industry or current ice levels."

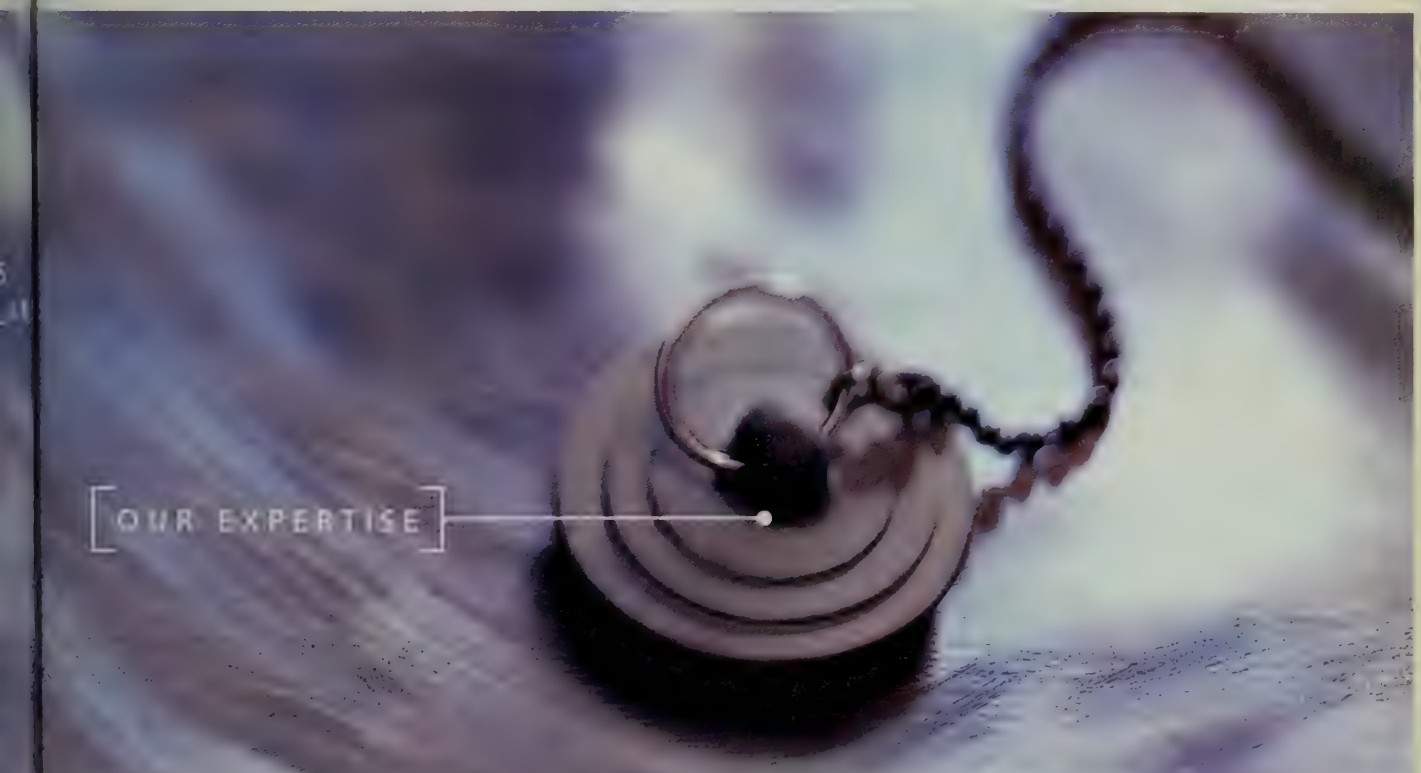
Life is too short to do everything all nce. By first breaking the problem n to its component parts, a company begin to apply a methodology to sourcing.

t is interesting that companies once viewed their expertise as one area but now realize that expertise has to spread to adjacent areas or they are dead in the water. One example is logistics. Once content simply to design products and then manufacture them, companies are now mining their logistics operation for cost savings.

Bill Zollars, Senior Vice President of Ryder Dedicated Logistics, says that logistics costs are approximately 11% of U.S. gross national product. Companies that once overlooked logistics as an area of controllable costs have changed their minds.

"The entire concept of quality now encompasses speeding products to market," says Zollars. "There has been a deliberate shift from the older functional management approach (sales, manufacturing, finance) into a much more integrated one that places a much greater emphasis on the entire business. The real lesson: Maximize the entire system and minimize your total logistics cost."

Zollars' point is well taken. One option that a company never had before was outsourcing its entire logistics operation. Historically, the traffic manager was part of corporate purchasing. His or her job was to play off carrier versus carrier, freight forwarder vs. freight forwarder. But while that function treated each shipment as a decision



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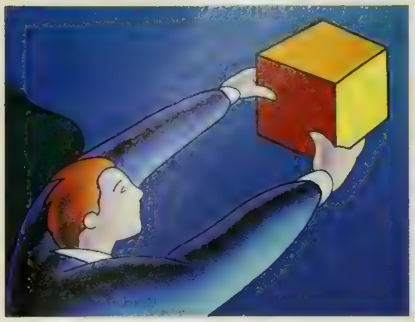

point, the bigger picture seemed to get lost as assets became liabilities when finished goods lingered too long in the logistics cycle. Today's logistics manager is integrated into the company's overall speed to market, and this has led to a more strategic evaluation of logistics, including outsourcing.

Every company has a tax department, not to mention other finance functions, generally reporting to the chief financial officer. Once viewed as just an expense item, tax departments today are viewed as the internal organization that can keep a company in compliance and provide planning expertise that adds to the bottom line.

While every company must give the tax man his due, the tax laws are arcane enough so that overpaying is as likely as underpaying. Says Arthur Andersen's Dennis Torkko, Managing Partner, Contract Services, "The jurisdictional problems alone are a maze as companies attempt to build a framework of foreign tax planning and compliance. As every company builds a global strategy, there is a tax man waiting at the border. Add that to federal, state and local, and you have an intertwined and confusing complex. If that weren't enough, you have expatriates working abroad."

This is just one area in finance where such a broad expertise is required that it makes sense for many companies to outsource. What outsourcing partners can provide beyond peak workload supplemental help is a set of "best practices" that have been developed over time. Furthermore, says Torkko, "an outsourcing provider can team with a company's internal staff to add value-creating capability as well as to apply proven processes to address the complexities of finance functions."

OVERCOMING INTERNAL RESISTANCE TO OUTSOURCING

One good axiom of management is that one-time problems should be handled by consultants, but repeat problems should be brought inside. Because the outsourcing issue isn't going to go away, most companies go through three phases: Denial, Grudging Acceptance for the Other Guy and Trial.

The Denial phase begins with the bias that only companies with serious problems outsource. This is typified by the "Outsourcing? It's not for us!" attitude. This persists for a while until it becomes clear that well-run companie are utilizing outsourcing, and are using successfully every day.

The second phase, Grudging Acceptance for the Other Guy, is usua provoked when senior management insists that a company take a dispassionate look at its operations — perhaps examining specific areas. Here managers will admit that the concept makes sense — but not for their operation. Usually, some study is hastily done proving that their operation is pristine, low-cost and high-performanc No one really believes it, but it keeps

METRICS FOR END USERS

Do you disagree (1) or agree (5) with the following statements:

1. Our costs for _____ are low for companies in our industry and our size.

1 2 3 4 5

2. Our service levels for this function (_____) are consistently improving.

1 2 3 4 5

3. In order to expand our market we must make rapid investment in new approaches.

1 2 3 4 5

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llogical? Of course. But all too en, organizational change efforts to reach much below the manage- nt level. So the goal of improved formance is never achieved.

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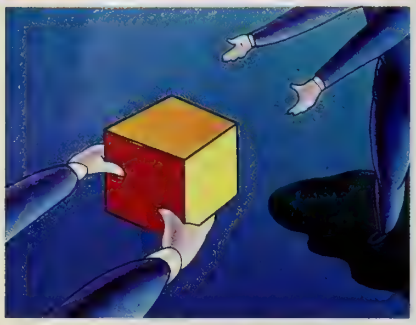

people quiet for six months. No rigorous analysis is done of end-user satisfaction, and no due diligence is done of the true internal costs. Canards are raised about "control" and "security" and the intricate relationship between that department's function and the corporate "strategy."

Phase three, Trial, occurs when it is determined that not every function is truly "strategic." Perhaps a company sees that the trial period will allow it to determine where else outsourcing makes sense, or to at least get comfortable with the concept. Sometimes the trial is done within one division or within one function, and then for a limited time with the idea of examining early results before proceeding.

NEW AREAS FOR OUTSOURCING

Although we have suggested that companies handle strategic functions in-house, and consider all others for outsourcing, it is not quite so simple. There is a fine line between strategic and tactical. More and more we are finding companies that are outsourcing entire areas that they once would have considered obviously strategic — like sales, marketing and customer service.

"A client of ours recently noted that they were not reaching their sales objectives," says Steve Fogelgren, Senior Vice President of MRI (Management Recruiters International Inc.), a premier provider of full-service staffing solutions. "We helped them identify the central problem: They were understaffed in the sales area but unable to overcome the limits of a hiring freeze. We suggested they outsource an entire supplementary sales department. We then provided a complete temporary sales team, which we trained, payrolled and managed. Outsourcing part of their sales function enabled them to meet their second-half goals, and they were pleased and surprised at how efficient it was."

Conducting outsourcing evaluations can both benchmark and bring discipline to a variety of corporate activities.

David Dougherty, President and CEO of MATRIXX Marketing Inc., a subsidiary of Cincinnati Bell Inc. and the world leader in outsourced telephone marke solutions, puts it this way: "Outsourcir customer service and sales coverage i real trend in the 1990s. We have four that almost half (44%) of companies outsource portions of their customer service to outside firms." MATRIXX provides sales, customer service and direct response to such companies as Procter & Gamble, American Express, AT&T and Microsoft.

"What are companies outsourcing? Almost everything, from handling 800-number product inquiries, to providing billing information, technical help-desk functions and complete business-to-busi account management," Dougherty says.

Michael Treacy, author of *The Discipli of Market Leaders*, agrees. "Customer-intimate outsource providers offer a different value proposition — not 'we'r cheaper than you yourself,' but 'we pro a more complete solution than you can provide yourself. We can take full responsibility for results. We can essent take your mind off the whole problem.'"

MATRIXX's alliance with DIRECTV i an example of dedicated sales and customer service. DIRECTV has experienced tremendous success in convincing Americans they need 18-inc rooftop satellite dishes capable of providing 150 channels of programming "We needed to provide a service that not being provided by the cable service which was 24-hour daily coverage, and realized up front that customer service was not our strength. We really needed

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strategic partner with the tremendous call capacity of MATRIXX to help us put our infrastructure in place," says Eddie Hartenstein, CEO of DIRECTV.

In addition, MATRIXX's willingness to develop a dedicated customer-service facility and hire and train 1,200 customer-service representatives in just a few weeks allowed DIRECTV to have the best of both worlds — the capital it needs for its satellite system and the confidence of knowing its customer service is in the best hands.

STEP THREE:

Do CEO analysis.

Company perspective:

"Some decisions deserve CEO attention; many do not. We don't want our CEO involved in every outsourcing decision but we do want an understanding of strategic direction."

Questions that every CEO should be asking are: How are we doing within our industry? For companies of our size? Are we gaining market share? How are our profits doing versus our three major competitors? Where could we put the least amount of effort, money and people and get the most rapid improvement? If we are only going to have a limited number of people, where is the highest value? What are our core competencies? And which are not? If we consider outsourcing non-core competencies, what are the risks? Control? Security?

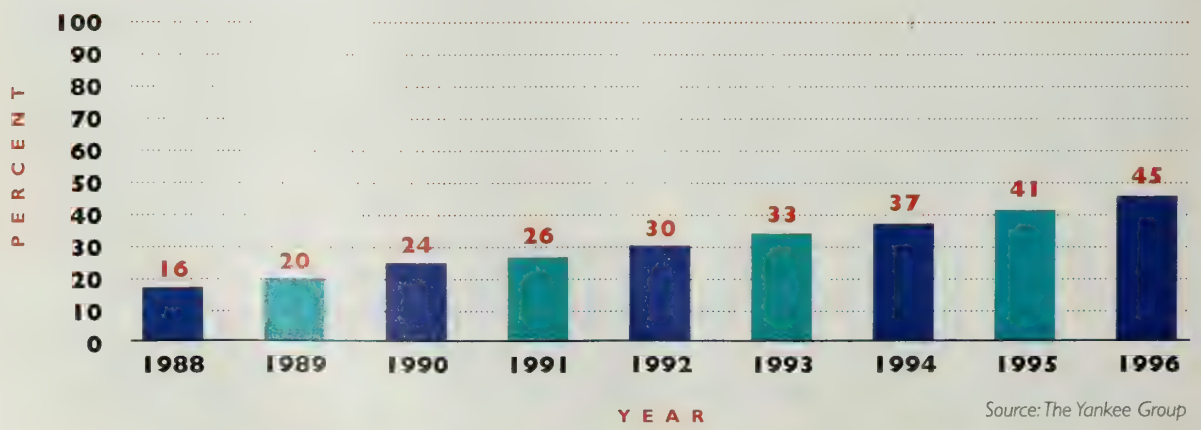
At this point, the CEO has to ask his staff for help on the next battery of questions: What areas should we be investigating, and where might we get substantial improvements? Who can help us make an evaluation? Do they have conflicts? How do we do an evaluation ourselves? What is the potential internal harm if we do an evaluation? Will good people panic? Leave?

And finally a CEO must ask: What will conducting an outsourcing evaluation potentially bring us? Can the evaluation itself give us insight into ways to improve performance?

The CEO is concerned with one subject: continuous improvement. CEOs are never satisfied (which is why they are CEOs), but previously they had only one option: reorganize.

While reorganization may be the consultants' "Full Employment Act," for

Percentage of Yankee Group 500 Companies That Have Outsourced Major Portions of Their Information Systems



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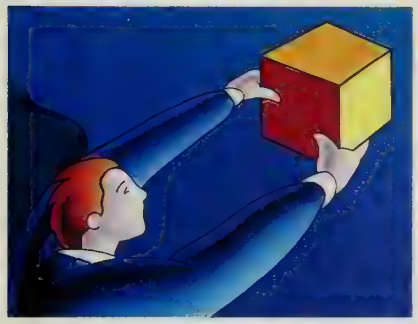

many companies the exercise is fraught with frustration. Conducting outsourcing evaluations can both benchmark and bring discipline to a variety of corporate activities.

STEP FOUR:

Build a set of metrics.

Corporate assessment:

"Let's pick a limited number of metrics to help us with the evaluation. Certainly, financial metrics will be included, but traditional Internal Rate of Return (IRR) will not help us in the absence of others. Which other metrics make sense for this activity?"

Action items:

Build the metric set so that the end users of that service can quantify their qualitative input.

STEP FIVE:

Assess risk.

Corporate assessment:

"Moving any function outside of our immediate control represents some level of risk. On a scale of 1 (no risk) to 5 (extreme risk), where does this operation fall? Are there companies in the industry whose reputation and financial strength can mitigate the level of risk? Who are they?"

Let's analyze this. If a company outsources its print shop, mail room or security service, the degree of risk is small. By managing the outsourcing relationship, the company can ensure that performance meets its standards and that poor performance can be rectified quickly. But as one moves up the risk pyramid, lack of performance can have potentially harmful effects. For example, if your company outsources its data processing to a financially troubled firm, you can be hurt by its failure: Key corporate data may be held hostage.

Firms should ensure that they avoid the potential downside by careful selection of outsourcing vendors and even more careful selection of what service levels they will require.

The irony is that significant corporate improvement from outsourcing occurs as one moves up the pyramid, but so does potential risk. Firms should ensure that they avoid the potential downside by careful selection of outsourcing vendors and even more careful selecti of what service levels they will require

STEP SIX:

Get your divisional manager to buy into the process.

Corporate assessment:

"In the end, our divisional general managers and profit centers are the key our company. While upper management may set direction and strategy, it is the lir managers who run the company day-to-day, and any solution that fails to recogni this is doomed."

The ones first affected, and the ones most affected by outsourcing direction, are the divisional general managers on the firing line every quarter. They have make their numbers, invest in the next generation of product and hire staff. In fact, they are so intimately involved in the day-to-day running of their division they often suffer from a combination of information overload and information deprivation. Their image of themselves good managers requires that they investigate new options, such as outsourcing, but their bias is that they run "tight ships."

Historically, divisional managers were control freaks. They wanted to control every facet of their operation, but as discussed earlier, some major operations like logistics can be better done outside

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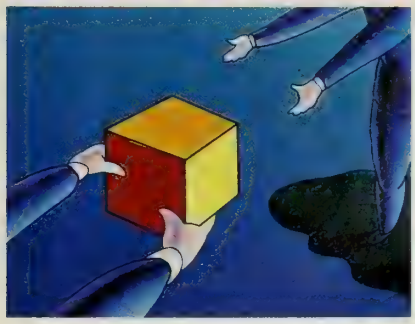


Want big numbers? How about the $600 billion that U.S. firms annually spend on logistics? Even a 2% savings represents $12 billion, a sizable number. Logistics is right up there with computing and communications as a major expense item and is one that varies directly with sales volume.

John Williford, President and CEO of Menlo Logistics, is excited by the potential efficiencies that are possible. He says, "The most successful contract logistics companies have proven that they can help companies cut transportation costs, take out inventory and improve cycle times. As a result, large companies in particular are turning to logistics firms to design integrated logistics solutions for the entire supply-chain process.

"At Menlo Logistics, our customer base has more than doubled in the past year. We're seeing a growing number of projects that are increasingly larger and more complex in scope. In addition to running warehouses and improving transportation, our customers are asking us to develop new technology that enables them to integrate our systems with their customers' and suppliers' systems.

"Since U.S. firms spend more than $600 billion annually on logistics, the potential savings that can be realized from expert contract logistics companies are enormous."

Most companies still exist in a vacuum. Ask managers what the logistics problems of their major customers and suppliers are and their eyes glaze over. The supply-chain argument states that a common problem, solved once, can have cascading effects for both sides.

> ***Outsourcing allows a company to put its full weight on the things it does well and allows it to opt out of functions it only does fairly well.***

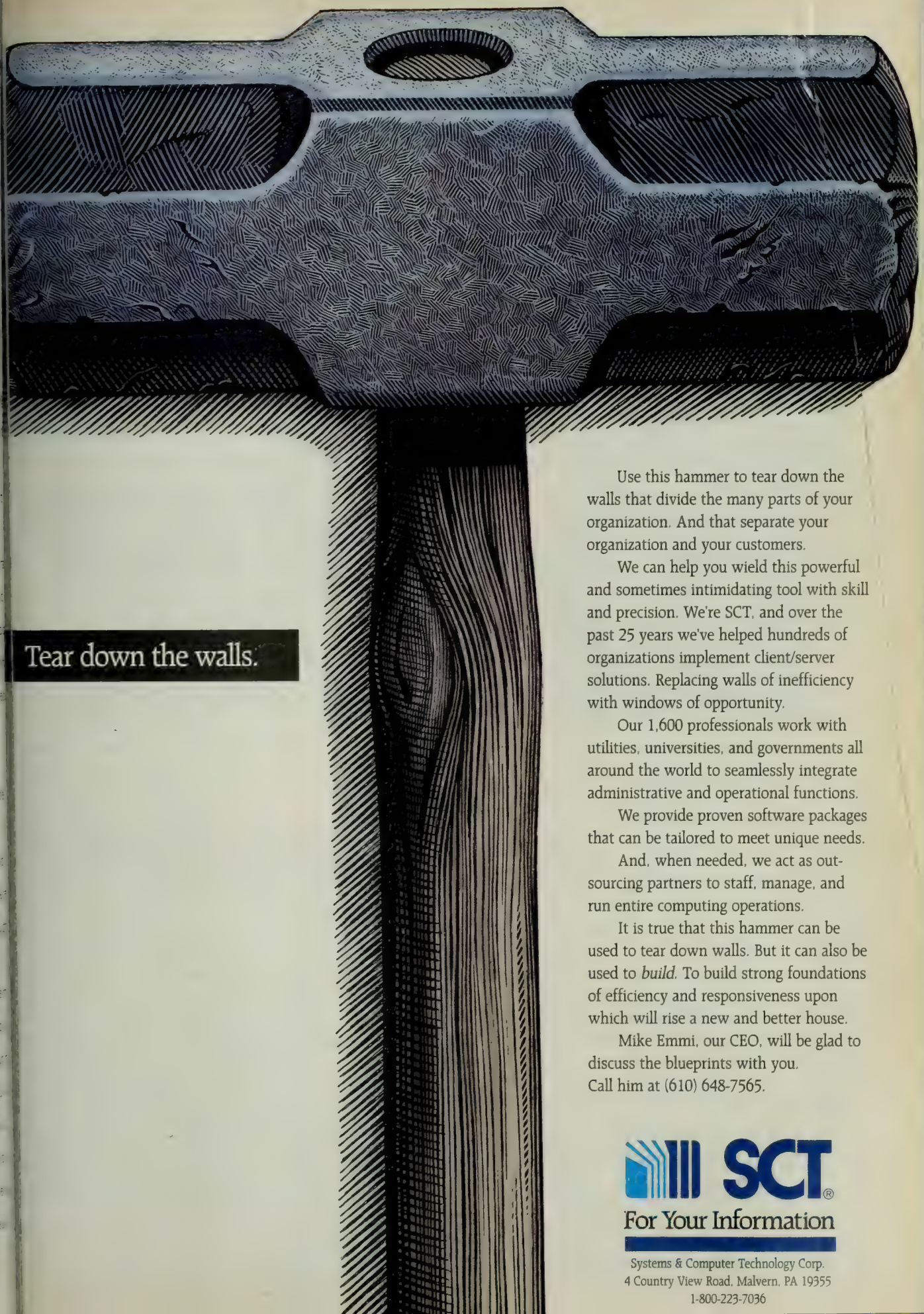
If I can send you a bill of lading electronically and save your firm from re-entering it, I can get paid faster and you save the data entry cost. If my incoming purchasing orders are scanned early in the month, I may find that "green" is outselling "red" and send that data to my production department, my suppliers and my sales force. By having the right inventory in the right outlets in the right quantity on the right dates, everyone wins. But the problem is tha very few firms have this expertise internally. Logistics outsourcing experts

EVALUATING THE BENEFITS

Often, divisional general managers have some hidden biases about any corporate function that they are being charged for ("too much") and about th performance ("too little"), with the vague suspicion that they either don't need it, or they could do it better themselves. But what divisional general managers are most of all is pragmatic. They know they must manage well bot up and down, and any solution offering such potentially important advantages outsourcing should not only be investigated, but implemented.

Here is where decisions get made. Divisional general managers are notoriously short-term-oriented and they get paid to be that way. They are impatient and demand quick, although measured, implementation.

Their criteria are often very direct. One of the advantages of outsourcing that it can take a capital expense and turn it into a variable. Instead of buying big expensive trucks or computers, a division may buy a service level and be charged on a transaction basis, freeing up capital that can be put into areas of core competency.



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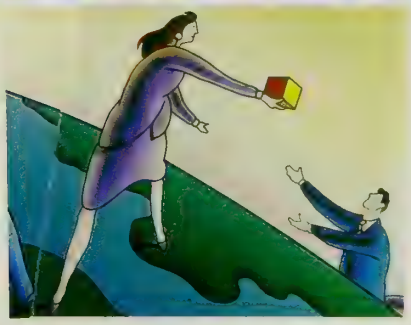

According to Hellene S. Runtagh, President and CEO of GE Information Services, creatively and tenaciously managing business processes can do wonders for a company's bottom line. Supplier management is a terrific example of quantum productivity opportunities. By streamlining your intercompany business processes — material forecasting, ordering, shipping, payment — and then electronically linking yourself to your suppliers and distributors, you see major reductions in cycle times, costs and error rate. "I've seen one major retailer reduce stock replenishment cycles from three days to three hours," says Runtagh.

A divisional general manager will also take a more sanguine look at all his operations, especially since he knows that with limited head count, his best option is to put as many of his people as possible in the highest value-added categories. The "downsizing" of America, the incessant drive toward performance, and the realization that other companies may have found a "better way" have made the divisional general manager open to new ideas.

In the end, there are only two ways any division can improve performance. It can lower its costs or it can increase its revenue. The first is easier and quicker, but there are limits to cost cutting. The more difficult goal is to increase revenue, which means freeing up resources for more salespeople, as well as for expanded research and development. Can outsourcing help here?

If it can help, is that help direct or indirect? Is the benefit in letting a company concentrate on its core competencies and freeing it from extraneous issues? Or is the benefit simple cost avoidance? Perhaps an outsourcing vendor brings to the table skills and methodology that could take the company years to build.

By turning over the complete logistics function, a company can work through speed-to-market issues in engineering while its "partner" solves the logistical problems.

STEP SEVEN:

Reach tentative conclusions.

Corporate assessment:

"In some areas we are ahead of our competition, in some areas we are behind, and in many others we just don't know. Divisional general managers are always unhappy with any sort of shared service or allocated expense. If we can show a demonstrate to 15% savings and an increase in perfo mance, we know they are interested. Fur to move to the platform we want (such guaranteed two-day delivery or client/ser computing) from the platform we are at week delivery or mainframe computing) probably cost us more over a three-to-fiv period. By instituting outsourcing-type sol perhaps they could be self-liquidating."

Joellin Comerford, Worldwide Man Partner at Andersen Consulting, believ that the outsourcing market has exper enced a natural evolution which has dramatic strategic implications for global industries.

"For some time now, companies ha had the opportunity to experience, firs hand, the business results possible thro IT outsourcing, in terms of both increa productivity and efficiency and decreas costs. Accordingly, they are beginning t consider how outsourcing might positi impact other business processes — processes that may be critical to the success of a company, but which may not directly generate revenue.

"At Andersen Consulting, we are ac shaping and influencing this next phase outsourcing. When used as a *strategic* business-process outsourcing can help companies restructure and reinvent th business to gain a competitive advanta is in providing a balance between resha an internally focused business process i a service and pragmatic implementatio tied to business results that we excel."

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You see, at MRI, we're here to help you grow. Especially when you're growing.

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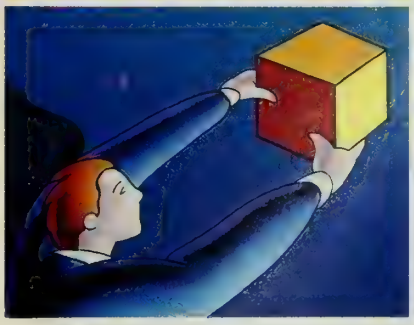

For most managements, a fair and unbiased view of their own operations is just the starting point. Not every company can increase market share, be at the market with the right products or services at the right time or excel at every phase and function of their operations.

The key to any company is not absolute strength, but balance — balance in the key disciplines such as marketing, manufacturing and financial control and in the ancillary functions that make these key disciplines hum. Outsourcing allows a company to put its full weight on the things it does well and allows it to opt out of functions it only does fairly well. Outsourcing also relieves a company of the financial onus of investing in capital equipment or training for a function that a vendor is better equipped to tackle.

Another advantage that outsourcing vendors bring is time: time to make transitions, time to solve problems in sequence. By offloading one set of problems to an outsourcing vendor, a company can solve multiple problems instead of concentrating on only one key initiative.

For example, by turning over the complete logistics function, a company can work through speed-to-market issues in engineering while its "partner" solves the logistical problems.

An outsourcing vendor will begin by looking at the tasks to be performed and what the current staffing level is. The more inefficiently the tasks are being performed, the better the outsourcing proposal will look.

You definitely need to establish how you monitor progress, and set up specific checkpoints.

According to Mitchell S. Fromstein, Chairman and CEO of Manpower Inc., "Staffing is the major element to be considered when reviewing a function for outsourcing. It is always the major cost involved. To achieve maximum efficiency and productivity, the function must be staffed properly, workers trained quickly and managed well, and turnover kept to a minimum. Before making an outsourcing decision, companies must review the current staffing of the function and ask themselves these questions: Is productivity at the level it should be? What is the full cost of managing the staffing function of the work to be outsourced? Are pay rates in the function presently in line with pay rate in the external labor market? Does the present staffing involve high employee turnover rates?"

Companies must take these first rudimentary steps and capture the low-hanging fruit. Then, at this point, an outsourcing evaluation will look at potential added benefit.

A major corporate initiative to liquefy assets may reveal that far too many assets are tied up in work-in-progress, finished inventories and inventories sitting in distributors' warehouses. The savings may come by looking across functional accounting into the benefit side.

CHANGING CORPORATE CULTURE

Can't companies achieve some of these positive results on their own?

In the largest sense, yes. Often, what the outsourcing vendor does is break the invisible fiefdoms that have been built up over the years and represent itself as an agent of change. The company culture changes because the company providing the service changes.

A large bank may receive thousands

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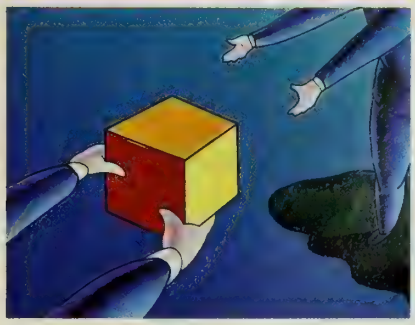

of phone calls from depositors during the day. Early on, the handling of those calls was regarded as something that the bank had to do in order to keep accounts. A bank would have tried to get as much productivity out of its call center as possible, perhaps measuring the number of calls handled per hour. Today it might measure the amount of cross-selling that can be done. Banks have realized that the more services a customer buys, the higher the likelihood of bank loyalty. An outsourcing vendor with experience in the area might suggest giving various levels of service for various types of customers — from an "elite" level for the most profitable customers to a fully automated response for marginally profitable customers.

Terri Dial, an Executive Vice President of Business Banking Group with Wells Fargo Bank, sees the role of call centers as extremely critical to overall profitability. But Dial feels that far too many companies pay lip service to the concept — then blow the implementation. "Go ahead, call your company's hot line and say you are a customer. How long did it take your call to be answered? Was information available? How long before they could access your account? If that doesn't drive you up the wall, then look at your internal numbers — what percentage of your calls were abandoned? What is the employee turnover rate in your call centers? Excessive? What additional revenue opportunities are you failing to convert?"

Dial's description is downright scary, but she points out that these are the questions that every senior manager must ask before the concept of outsourcing call centers even comes up. When her company evaluated its situation, it chose to outsource the call center to Zacson Corporation.

Wells Fargo wanted to increase its small-business market base nationwide in a cost-effective manner. The company is a firm believer in the concept of "brickless," or virtual, banking — in other words, expanding without having to build new physical branches. Zacson provided Wells Fargo with a telesales solution that has increased market awareness for the company outside California, and expanded its customer base nationwide for future cross-selling opportunities. In fact, the outsourcing partnership has allowed Wells Fargo to increase its small-business market base nationwide with a solid return on investment.

STEP EIGHT:

Implement your solution.

Corporate assessment:

"OK, we think there are some highly attractive areas for us to consider outsourcing. Do we do this across the whole company, or start with one divisio Do we do many functions or just one? Should we write a Request for Informatic and send it to a half-dozen firms, or sho we bypass the Request for Information, g straight to a Request for Proposal, and send it to the top three? Or should we bypass the entire RFP process and go through extended negotiation with a key outsourcing provider?"

Remember that for many outsourci vendors, yours is an attractive piece of business, but they have been through the process before. For you, the experience may be entirely new. Your prospective vendors are far ahead of you on the learning curve.

Having spent what you consider is a inordinate amount of time analyzing th problem, you now want rapid action. Not so fast. Although you are purchasi services, this falls well beyond the process to which you are accustomed.

Typically, when your company purchases a service, there are a numbe of key suppliers, any of which can replace a vendor or an internal area th is not performing. In outsourcing, you may move internal people from your

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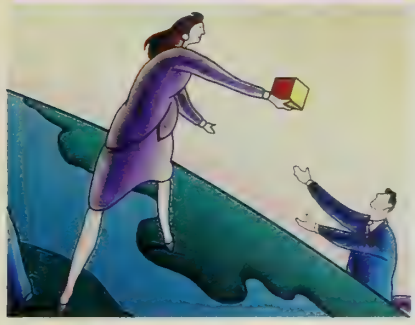

payroll to that of your suppliers.

Or, you may already have a long-term contract with an outside supplier. You might solve this problem simply by informing your current supplier of the terms and conditions that you require. With outsourcing, these service levels may be spelled out beforehand and changes may be cause for renegotiation.

The easiest way to approach the outsourcing question may be by triage. At the bottom-third of the pyramid, where risk is low and payoff is immediate, obtaining qualified outsourcing proposals is straightforward. Vendors will need to know some specific data (on current salaries, service levels and expectations). Outsourcing decisions can be handled at the profit center or on a divisional basis. The contracting period is generally short, perhaps one year in duration, and the cost is well defined.

Here a company would ask vendors for a list of all firms that have signed such agreements within the last two years. Due diligence would include a formal list of questions for these reference companies (What other companies did you look at? Has the company fulfilled its contracted obligations? How flexible was it? What is your opinion of its conflict resolution process?) as well as some specified data from the potential vendor (its financial reports, copies of its insurance, whether or not it has outstanding lawsuits and with whom).

The middle level of outsourcing may deal with tasks that are tactical and require higher levels of due diligence. Perhaps a list of the three or four companies well regarded in the area could be compiled. Your accounting firm may be a good source of potential companies. At this level, the financial obligation on both your parts is beginning to become a serious number. You may want your human resources team to sit with the human resources team of potential outsourcing vendors. At this level you may not only be transferring people but hard assets as well. Contract terms may be three to five years, and you want language in your contract that allows you an out — sometimes for cause, sometimes at your discretion.

At the highest level, the time from an outsourcing decision to implementation may run 9 to 12 months. You may need to assemble special teams to visit the companies you have selected to bid — and then meet with some of their existing customers armed with your set of questions.

You may wish to not only speak to your potential vendors' customers, but even to the customers of their customers. There should be a clear understanding of what the outsourcing vendor does and what you do. What decisions are within the normal scope your obligation and theirs?

You definitely need to establish how you monitor progress, and set up spec checkpoints. Suppose you sell a divisio or a profit center during the life of a contract? At this level, you will want expert help — either a consulting firm or an accounting firm experienced in t process. Substantial numbers of employees are affected, but your entire company will also feel the impact. Onc you sign a contract, affected employee will have divided loyalties — but in the end, they work for your outsourcing vendor, not for you.

STEP NINE:

Make it work.

Corporate assessment:

"We went through the entire exercise and finally picked a vendor that we were comfortable with and that offered us an attractive price as well as increased performance. We wrote a contract that was fair and flexible and tied up all the loose ends. I guess we are done, right?"

Wrong. The real work has just started. The real partnership begins

hen both sides pursue their vested
erest in making the relationship work.
s the outsourcer's understanding going
that no one will understand the firm
well as the internal people. Far
yond the "service-level agreements" is
understanding of what is really
portant. The firm also understands
t, once the contract is signed, it has a
ted interest in helping the outsourcer
ke money.

But aren't outsourcing vendors and
ir clients in a typical adversarial
ationship? Won't there always be
nts that continually push their vendor
more and more and vendors that want
sell clients more and more services?

This is where the outsourcing
eement, once signed, is different.
ring the course of the contract, each
e will need relief or special
nsideration, and each side will have a
ies of requests, some reasonable,
ne extraordinary. If every variation
ses a restudy of the contract, then
relationship is doomed.

Part of the reason is that the
sourcing contract covers the here-
-now and takes a stab at the future.
e very nature of the business is
redictable; part of the reason for
sourcing, in the first place, is to help
the uncertainty.

Whatever the outsourced function,
company that has signed the
tract has given up a certain part of
lexibility and placed that in the hands

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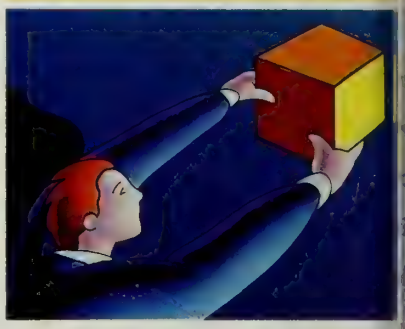
of its outsourcing vendor, which now owes a fiduciary relationship to its client. Fiduciary is the operative word; it assumes a higher standard of performance for both parties. They must work as a team to mutually succeed, and that's exactly what good outsourcing vendors and intelligent clients do.

THE FUTURE OF OUTSOURCING

Outsourcing was a new phenomenon in 1990, a pretty-well-understood solution set in 1995. But outsourcing itself is changing, and managers are asking the obvious question: Where will outsourcing eventually take us?

Jim Emshoff, CEO of IndeCap and a past president of several companies where outsourcing was a major part of strategic restructuring, sees several trends that argue for outsourcing's role as more than a quick fix. "Outsourcing will soon be recognized as an ongoing strategy, one that goes far beyond just giving up in-house functions; leading-edge companies will view outsourcing as an activity whereby a firm acquires a strategic partner." Emshoff goes on to say that the success or failure of many companies will be determined by their outsourcing decisions over the next two or three years.

INNOVATORS IN OUTSOURCING



"There is usually a transition step where market forces will determine wh the most qualified suppliers really are," says Emshoff, suggesting the entire proble is about to escalate. "If explicit action programs aren't coming out of the company's strategic plans that could resu in outsourcing 50% of the non-core functions in the next two years, the initiatives aren't bold enough. If the company hasn't even agreed on its core competencies with enough specificity to develop a complete list of potential out sourceable processes, it is very vulnerable

In addition to looking at which parts of their operation should be outsource companies should also identify which parts are world-class, and perhaps consid offering this expertise to other compani — in effect, becoming outsourcing suppliers themselves.

Turning expense functions into profi centers may not always be possible, bu when it makes sense, it may make a lot of sense.

Harvey Smalheiser, National Directo Tax Management Support Services at

eloitte & Touche LLP, has a novel idea. rn your corporate tax department into usiness partner and a profit center.

"A corporate tax function should be a ofit center for the enterprise and a busiss partner that facilitates accomplishing rporate strategic objectives," says halheiser. "Many tax departments lack s vision. Because they are by necessity mpliance and processing centers, they us almost entirely on meeting regulatory quirements. In these situations, selective complete outsourcing is a tool that can idly and radically change the culture of e corporate tax function and establish ew paradigm. This change can usually accomplished with a reduction in tax ction cost through use of state-of-the- technology and process reengineering, ating a win-win result."

Outsourcing is not old wine in new ttles; it represents a breakthrough in nagement art and the establishment the concept of implicit contracts, ereby one party must help watch out the other. Outsourcing vendors do , however, sign exclusive agreements, their value is that they do not. They e expertise, methodology, skill and erience, and they share these antages with their clients at a fair price.

Companies will continue to ne themselves around their core npetencies, but outsourcing rything would be silly, foolish and eer-limiting. They will have to identify t functions can best be handled by experts, calling in those whose track records and price profiles complement their business objectives.

"Outsourcing as a business strategy is here to stay," sums up ARAMARK's Neubauer, "and it is taking on even greater prominence as we journey through the 1990s and into the 21st century. Simply put, outsourcing is *the* economic tool of our times and a key element to our shared future." ■

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Transforming the Outsourcing Business

The experts said Thailand wasn't ready for American fast food. William Heinecke didn't listen to the experts.

Heinecke? It doesn't sound like a Thai name

By Justin Doebele

MINOR CORP. Chairman William Heinecke is a big, burly man who's spent 32 of his 46 years in Thailand. For a good time, what Thais call *sanuk-sabaay,* he grabs sharks by the tail while scuba diving, and races professionally in the Macau Grand Prix at speeds over 140mph.

When it comes to business, too, Heinecke lives in the fast lane, and his appetite for risk has rewarded him with a $100 million personal fortune. Minor Holdings, of which he owns 100%, operates Minor Corp., which controls stores under the Benetton and Esprit names in Thailand and holds the licenses there for such brand names as Yves St. Laurent, Parker pens and Lancôme.

There's more. His Pizza Co. is the country's largest fast-food operator—ahead of McDonald's and KFC—with 50 Pizza Huts, 40 Swensen's ice cream parlors and 5 Sizzler steak houses. His Royal Garden Resorts runs 2 American-style shopping malls, 5 luxury hotels, 2 condominium complexes and a Ripley's Believe It or Not Museum.

William Heinecke, chairman of Minor Holdings

Starting with $1,200, he's now worth $100 million.

In 1967, when he was 18, Heinecke had already spent four years in Bangkok, where his father worked as a Voice of America correspondent. He had just been admitted to Georgetown University when he told his dumbstruck parents that he was going to stay in Thailand to run his own business.

Today Thailand is recognized as a fast-emerging economy, imbued with plenty of get-up-and-go. It wasn't always thus. When Heinecke struck out on his own, U.S. troops were at war in Vietnam, and Thailand was thought to be the next domino. Bangkok was famous for its drugs and massage parlors and little else.

Young Heinecke persuaded his annoyed parents to cosign for a bank account and incorporation papers, and Minor Corp. was born—named for the fact that its sole owner was a minor. He got a loan from a Thai moneylender for $1,200 at 5% interest a month.

With the money, Heinecke started two ventures after finishing high school, an office cleaning service and a small outfit that wrote and placed ads of foreign companies on the radio and in a local English-language newspaper.

Within three months he had enough to pay off the moneylender. The office cleaning venture filled a need—his was the first professional service in Bangkok. The ad business proved lucrative. Within three years the kid had 400 employees and $2.5 million in sales.

In 1974 advertising agency Ogilvy & Mather offered to buy his advertising firm for around $300,000 and reward him with a cozy package to stay on as a managing director. He sold the cleaning business to the conglomerate Jardine in 1974 for $200,000. At 25 Heinecke was modestly rich and comfortable.

Predictably, he became restless and in 1977 took over a small trading firm that imported meat and other goods into Thailand. By then the Vietnam War was over and the Thai economy was expanding, but, says

Heinecke, "everybody questioned whether U.S. brands would be popular in Thailand."

Heinecke didn't agree with the "everybodys." Young himself, he sensed that young Thais were hot for things American. He landed name franchises like Mister Donut, Pizza Hut, Swensen's and Sizzler. The restaurants filled up faster than Bangkok highways during rush hour.

He also secured franchises for Esprit, Italian clothing chain Benetton, and Time Life books. In those preboom days, a little money went a long way in Thailand, and Heinecke was able to finance most of this with loans from both Thai and Western banks.

Real estate followed with a small chain of Western-style hotels, complete with shopping malls and ritzy restaurants, as well as a joint venture with Marriott Corp.

A Thai consulting survey recently put Heinecke's name among the top 100 Thai business families.

In the five years to 1994, Minor's fast-food sales tripled, to $41 million with a net margin of 6%. Minor's retail sales doubled, to $39 million with a 2% net. Minor's real estate revenues nearly doubled, to $6 million with a 5% net.

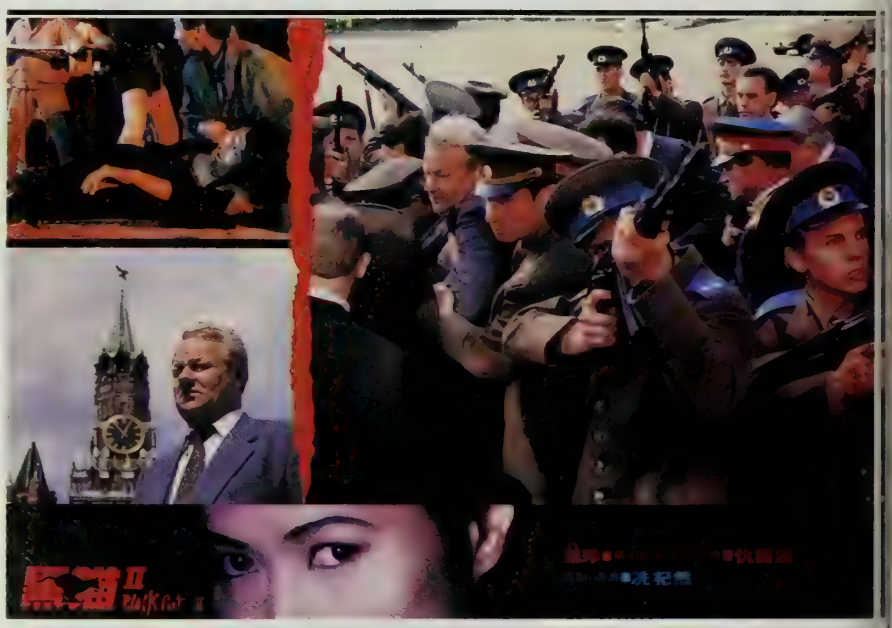
The products are quintessentially U.S., but Heinecke knows where to adapt—adding extra-spicy toppings to his pizzas, and a mango dessert at Swensen's. Minor Corp. blends right into the Thai landscape. Most of his executives are Thai. A Thai consulting survey recently put his name among the top 100 Thai business families.

Heinecke is now looking abroad to Cambodia, Laos, Burma and Vietnam, which are moving to market economies. He has either taken or is close to securing exclusive franchise agreements for each of those countries. Heinecke knows it may be a little early for a Swensen's in Phnom Penh, but he can wait. He's close to the market there and figures it's only a matter of time before those countries, too, develop a yuppie class with American tastes. ■

Hollywood has forgotten how to make inexpensive movies. Michael Parker and Shan Tam still know how.

Lights, camera, "做戲!"

By Neil Weinberg



Images from "Black Cat II"

Shot in Moscow for less than one-tenth what it might have cost in Hollywood.

AFTER LOS ANGELES and New York, North America's third-largest film and TV production center is Vancouver, British Columbia. Last year the province's film industry grew 40%, to nearly $300 million in spending, and turned out 85 mostly low-budget movies and TV series, including *Serving in Silence* for Tristar Pictures and *The X-Files* for Fox TV.

But low-budget moviemaking isn't all fun and games. Just ask the couple who run Maple Ridge Films Ltd. in Hollywood North. It was started only in 1991 by Shan Tam, now 33, and her husband, Michael Parker, now 34. Maple Ridge films movies for Hong Kong filmmakers with limited budgets, and does so cheaply.

Maple Ridge is struggling, but it knows how to cut corners. Made for D&B Films, *Black Cat II*, about a CIA-trained assassin, required a scene of Russian soldiers. Maple Ridge's production crew hauled their cameras to a military academy in Moscow, where an offer of a small amount of hard currency brought forth scores of uniformed cadets. Filming the scene cost $20,000, less than one-tenth what it might have cost in Hollywood.

The Chinese-language film grossed $4 million, against a total production cost of just $2 million.

Michael Parker, an Alberta native, studied film at Confederation College in Thunder Bay, Ont. A film school chum from Hong Kong introduced him to a wealthy rice merchant who wanted to get into the movie busi-

ness. No deal developed. "From then on my game plan was to become a line producer," Parker says. But it wasn't that easy. In 1989 he married Tam, a TV and film production manager from Hong Kong who was in Vancouver on a film assignment, but the couple had to find work outside the film industry. One day Tam's old boss called, asking if Tam would be line producer for his first *Black Cat* flick.

"We quit our jobs and decided to go for it," Parker says. Maple Ridge Films was born.

Their production fee for *Black Cat II* was only $40,000, but the film's success helped establish their reputation as producers who could stay within a tight budget. Their *Never Ending Summer,* a romantic comedy about a Hong Kong immigrant and a Vancouver woman, was made for $1 million and turned a small profit.

Maple Ridge made last year's *Rumble in the Bronx* for Hong Kong's Golden Harvest studio. Featuring martial arts star Jackie Chan and filmed in 21 weeks at a cost of $13 million, it became one of Hong Kong's highest-grossing movies, with box office receipts of around $36 million. In the last six months Miramax Films and New Line Cinema have bought U.S. and foreign rights to release *Rumble in the Bronx* and two other Jackie Chan films in theaters.

Low-cost filming means corner-cutting. In the opening scene of *Rumble,* the audience can spot Vancouver's Coastal Mountains in the background of what are supposedly the outskirts of New York City.

Misplaced mountain ranges notwithstanding, Tam and Parker's experience grew and they won backing from Hong Kong film producer Citymedia for their own film, *Young Offenders,* completed in late 1993 for just $375,000. In Chinese, it's about a teenage Taiwanese immigrant to Vancouver who mistakenly kills a member of a local Chinese gang.

More bad luck. The Hong Kong partners don't want to spend the money to release the film in Hong Kong. Tam and Parker are trying to peddle an English-dubbed version to Canadian television, to recoup some of their investment. They simply refuse to give up. They figure that with smart moguls like Rupert Murdoch investing large sums in satellite systems to deliver video programming to China, the demand for Chinese-language entertainment is going to be tremendous. ■

Maple Ridge Films' Michael Parker and Shan Tam **Just scraping by, but they know how to cut corners.**

Jealous siblings have been the ruination of many a family business. Here's how Chub O'Reilly trained his four kids to be a . . .

Highly effective management team

By Terzah Ewing

A PIONEER OF THE AUTO PARTS industry, in 1914 Charles F. O'Reilly began peddling Model T bumpers and luggage racks for a St. Louis manufacturer. He later settled in Springfield, Mo. and spent the next 30-odd years selling parts for a local distributor. In 1929 his son Charles H. (Chub) O'Reilly, then 16, joined him.

The two O'Reillys sold a lot of parts, but in 1957 their employer tried to push the older O'Reilly into retirement. The O'Reillys quit and opened their own auto parts store. O'Reilly Automotive Inc. has grown into a chain of 180 stores, scattered throughout four midwestern states and selling everything from headlight bulbs to garage lifts. Sales this year will come in at around $200 million, earnings at $13 million ($1.50 a share).

O'Reilly has been on the FORBES Best 200 Small Companies list for two years running. Its sales per average square foot, at $215, are ahead of bigger competitors like Pep Boys ($170) and Discount Auto Parts ($198). The chain is growing nicely. It plans to open new stores at a rate of 15% a year for the next five years. The family's 60% stake in the company, which went public two years ago, is currently worth $159 million.

Charles O'Reilly is long dead, and Chub, though still active at 82, has turned over the day-to-day running of the business to his four children, who each own about a 15% stake in the company and share in management. Rosalie O'Reilly Wooten, 53, is executive vice president; Charles H. Jr. (Charlie), 56, is chairman; David, 46, is chief executive; Lawrence (Larry), 49, is chief operating officer.

Family businesses are often ripped apart by warring siblings in the second and third generations. But Chub O'Reilly was careful to guard against this danger. He put each of his children to work in the business at an early age, and then made sure they learned every aspect. While still in school, they were expected to work weekends and summers in a store or warehouse. Says Rosalie: "We all have memories of getting up at the crack of dawn to help stock the [Springfield] store."

As the company grew, Chub O'Reilly watched the kids and tried to decide how best to use each one's unique talents. The youngest son, mathematically minded David, was chosen by his father and siblings to become O'Reilly Automotive's computer expert in the 1970s, shortly after IBM introduced its System 3, an office computer system. "I learned it all, including programming, and soon we had our inventory and accounts receivable computerized," David recalls. "It was a great way to learn the accounting side of the business."

"We're very committee-driven. We've always said that no one of us could have enjoyed the success we've had together."

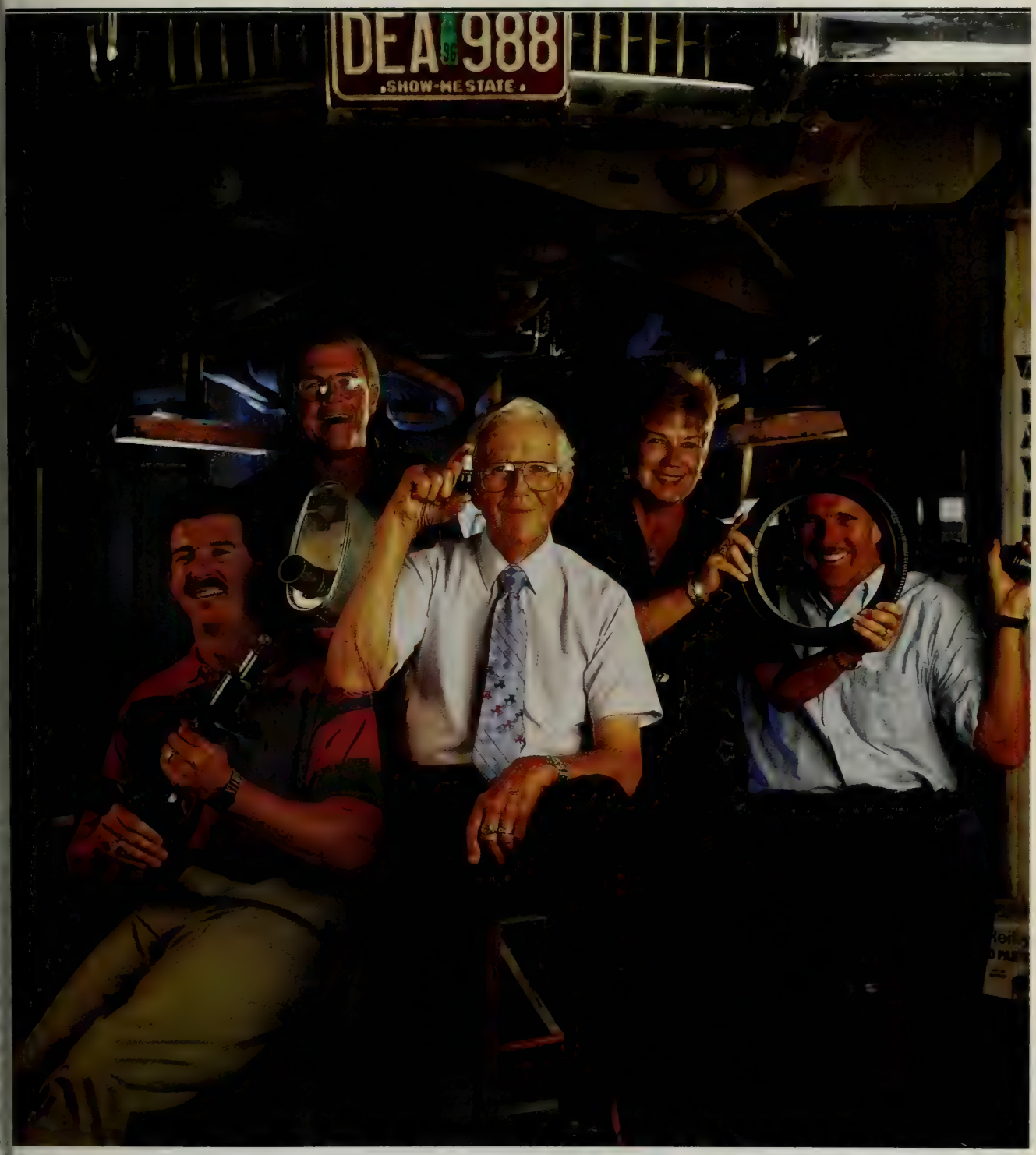
Larry, the second son, spent summers in high school behind the counter and shelving stock. One of Rosalie's first jobs was running parts from the inventory bins out to the front counter.

Charlie, the eldest son, began sweeping floors part time; at 15 he was driving an O'Reilly delivery motor scooter. A few years later his father and grandfather gave him a real test by sending him to open a new store in Joplin, Mo. Recalls Charlie: "They told me, 'The only way we can open a store in a foreign land like that is for one of us to go out there and run it.' So I went."

When Rosalie returned to the company in 1980 after teaching high school English for 13 years, her father made her the company's insurance czar, a job she still has. "You just step in wherever there's a need," she says.

When he was 60, Chub O'Reilly began turning control over to the kids, but even before then he was careful to consult each of them before making major decisions. One of the family's biggest decisions was made in 1978, when O'Reilly Automotive made a radical departure. O'Reilly had concentrated on selling to professional mechanics and independent jobbers who bought parts in wholesale lots. Retail sales to the do-it-yourself market was basically a sideline. If a do-it-yourself customer wandered in he was served, but little effort was devoted to attracting him.

After hashing it over among themselves, the O'Reillys decided to expand the retail side of the business. They knew they were taking a big risk.



The family O'Reilly with sample wares: (from left) David, Charlie, Chub, Rosalie, Larry
No sibling rivalry here: There are auto parts to sell.

rofessionals don't like to buy their arts from a distributor who sells di- ect to the public. The pros feel the etailer is helping their competitors, he do-it-yourselfers.

The O'Reillys figured they could xpand in retail without sacrificing heir professional clientele. The pro- essionals would still get special atten- on: discounts, quick delivery, easy credit and, in some stores, a separate counter and sales staff. However, the general public would also require special attention. Aimed at mechanics, O'Reilly stores were typically dark and forbidding, with jumbles of parts crammed into bins, on shelves and pegboard walls. Often the stores were situated in out-of-the-way locations. Since the beginning of 1994 alone,

the O'Reillys have risked about $9 million to spruce up the old stores and relocate 17 of them near strip malls and shopping centers.

Expanding the retail side worked beautifully. Sales jumped from $110 million in 1992 to $167 million last year, split evenly between the professional and retail channels.

O'Reilly's trade with the professionals also helps attract the amateurs. That's because, to keep the mechanics as customers, O'Reilly stores must carry a broader, deeper inventory than stores that deal primarily with retail customers. The typical O'Reilly store carries about 19,000 parts, versus about 16,000 for retail-only AutoZone. Says Beth Richard, an analyst at Everen Securities who follows the parts industry: "A [do-it-yourself] customer knows that he can go to an O'Reilly store and get his part that day."

O'Reilly Automotive appears headed for a fourth generation of family management. The O'Reillys have imposed a sensible rule that all fourth-generation members interested in joining the company must first work at another company to get a sense of what it is like to work without benefit of family connections. After two years on the management track at Wal-Mart, for instance, Charlie O'Reilly's 29-year-old son, Patrick, now sets up distribution systems for O'Reilly's two central warehouses. By such means the family hopes to keep its management from getting too ingrown.

So what's the secret of keeping a family business running smoothly after the founder moves on? It's easier said than done: Get the inheritors to think like a team rather than as sibling rivals. "We're very committee-driven," says David O'Reilly. "You have to have a high level of mutual respect and be willing to give up [individual] recognition. We've always said that no one of us could have enjoyed the success we've had together."

Like his brothers and sister, Charlie O'Reilly, meanwhile, doesn't just sit at his desk signing papers and issuing orders. He spends a lot of time on the road, trying to visit each one of the stores at least twice a year. No coupon-clippers in this family. Not yet, anyhow.

Cary Findlay thought he wanted to get into the buyout business. His first deal was so successful he's still running it.

On the fringes

By Toddi Gutner Block

WHILE DOING RESEARCH for top buyout specialists—including Kohlberg Kravis Roberts and Forstmann Little—accountant Cary Findlay caught the buyout bug himself. At 47, in 1986, Findlay resigned from the Charlotte, N.C. office of Deloitte Haskins & Sells, now Deloitte & Touche, and teamed up with an old friend, Warren Pollock, a retired textile executive. Together they formed Carolinas Capital Funds Group, which was to scrape together capital when an opportunity came up. Like many other buyout firms, they hoped to buy unwanted subsidiaries of big corporations and individual, privately owned companies. They would try to turn them around and flip them to someone else.

Their first major purchase turned out to be their last. The partners found Conso Products, a struggling maker of decorative tassels and fringes owned by Springs Industries. Before that, Conso had been passed around among other big owners, including Consolidated Foods, now Sara Lee Corp.

Conso had once done $55 million a year and employed 1,200 people. Now only 200 employees labored in its 230,000-square-foot plant, situated in a depressed part of the textile town of Union, S.C.; even the McDonald's across the street had closed. Sales languished around $12 million—less than a quarter of the peak figure.

But Conso had been around a long time. It started in 1867, right after the Civil War, making decorations for ladies' and men's hats. When Findlay looked at it, Conso's chief business was in curtain ties and window shade

A prominent Conso client viewing jewels

Trimmings and tassels fit for a queen.

fringes sold through mass merchants like Kmart and Sears plus about 300 mom-and-pop drapery stores and distributors. It was a narrow market, and neither Conso nor its two principal competitors, Holyoke, Mass.-based textile firm Mastex Industries or Lending Textiles of Montgomery, Pa., ever came up with new products or fresh marketing approaches. The former owner, Springs, had shut Conso's product development and marketing operations to save money.

With fresh capital, new products and a sales effort, Findlay figured he could make a splash. He saw great potential in making trimmings for the furniture trade and supplying tassels to interior decorators. A distribution network already existed; it was waiting for new products. Such chains as Hancock Fabrics and J.C. Penney were natural outlets. So were sewing pattern outfits like McCall's and Simplicity. Findlay wanted to put Conso products in the face of anyone who made, sold or bought home furnishings.

Springs Industries wanted a shade over $5 million. Findlay and his wife, Konstance (Koni), financed most of the deal with $5 million in asset-based financing and a personal note. For equity they had just $55,000 of their own, $55,000 from Pollock and $140,000 from two Conso managers. Debt-to-equity, 20-to-1.

Findlay soon forgot about LBOs and plunged into the decorative trim business. He would run it with Koni, also an ex-Deloitte accountant. Pollock worked briefly for Conso, but the Findlays became sole owners when they borrowed $666,000 to buy out Pollock and the other shareholders in 1988.

Their first step: Get some new products. The Findlays contracted with Wesley Mancini, a well-known furniture fabric designer, to create new trimming and tassel lines suitable for high-end furniture. From about 2,000 styles and colors in 1987, Conso now offers 20,000 varieties of tassels and fringes, with new ones introduced annually. The Findlays created a color catalog and 8-by-11 binders of sample cards of all the possible style and color combinations. Next: They designed a glossy, 28-page brochure with step-by-step lessons to show decorators, salespeople and retail customers how cords, fringes and tassels can be used on the edges of chairs, sofas, pillows and other home furnishings. "We needed to create demand," says Koni Findlay, 48.

Conso Products' Koni and Cary Findlay
"We needed to create demand."

Orders poured in. With new barcoding and computers to track inventory and shipping, delivery time fell from six weeks to three days. Furniture maker Drexel Heritage and textile retailer Calico Corners became big new customers. In 1989 sales hit $22 million, almost doubling from 1986. "We didn't take business away from anyone," says Cary Findlay. "The business just wasn't there."

Moving overseas, Conso made two key acquisitions two years ago: Stockport, England-based British Trimmings, the largest trimmings maker in the U.K. (1993 sales, $17 million), and London-based Wendy Cushing Trimmings Ltd. Cushing is tiny, with only $860,000 in annual sales at the time of its purchase, but prestigious. Its handmade trimmings and tassels adorn drapes at Hong Kong's Peninsula Hotel and the pillows in the Tower of London that the crown jewels of Britain's royal family rest on.

To help fund the $11 million purchase of British Trimmings and to pay down debt, the Findlays sold 42% of Conso to the public for $17 million in 1993. For the fiscal year ending June 30, 1995, Conso reported net income of $4.6 million, or $1.40 a share, on sales of $60 million. Kay Norwood, at Interstate/Johnson Lane, estimates Conso will earn $5.6 million, or $1.70 per share, on sales of $70 million next year. The Findlays' original investment of $55,000 has grown to $26 million in less than a decade.

The Findlays are scouting out new acquisitions, having turned over day-to-day operations to a new chief executive, Duane Southerland, a 21-year veteran of Cooper Industries. He is expanding the drapery hardware line in brass and molded plastic and is considering a move into tabletop accessories like candlesticks and vases. He's also tackling the European, Asian and Middle Eastern markets.

Hey, isn't that David Letterman posing for photos with the boss at the office party?

What can the Pope do?

DURING THE 1992 presidential primaries, Florida real estate salesman Timothy Watters turned on the television and saw the then governor of Arkansas for the first time. "I saw this fellow who looked awfully like the guy I shave each morning," Watters recalls. So the 37-year-old Watters got himself some silver hair dye—and an agent.

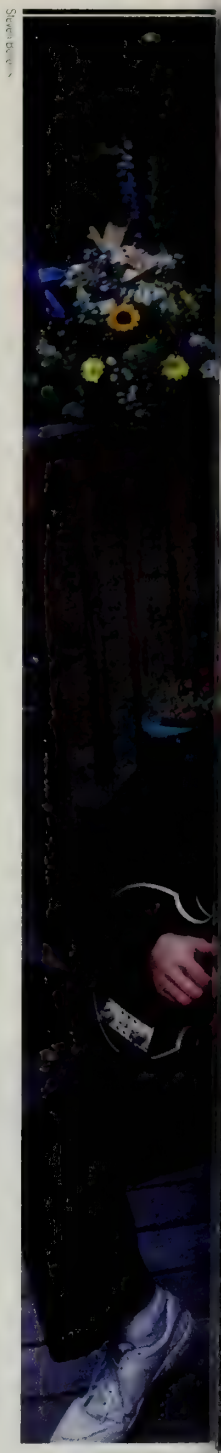
For $5,000 to $7,000 an appearance, Watters delivered Gennifer Flowers jokes for the opening of a Shop-Rite supermarket in Panama City, and pretended to inhale marijuana for the opening of a new high-rise office building in Hong Kong. Plus airfare, of course.

Booking up to 18 gigs a month, Watters has shown up as Bill Clinton at corporate meetings for Motorola, AT&T, Merck and Ford—and regularly makes the rounds of the TV talk shows. Watters figures he'll earn $500,000 this year and hopes to hit $1 million during next year's election campaign.

Watters is just one—though maybe right now the best paid—of some 40,000 celebrity look-alikes on agents' computer bases around the country. Most of them collect a few hundred bucks just for showing up, mingling and posing for photos. Higher up the scale are those who not only look like Bogart, but also swagger like him, and can manage to deliver a passable rendition of the Bogeyism "schweetheart."

Jay White, a professional singer, works most of the year as a Neil Diamond clone in a Las Vegas revue called *Legends in Concert*. For a private party, it'll cost $5,000 to $10,000 for him and his band for an hour-and-a-half show. "I'm keeping Diamond's youth alive," says White, who, at 40, is 14 years younger than his aging meal ticket.

A Paul McCartney look-alike from Connecticut, Michael Miller, says that women often want to give him their underwear after his appearances.



Steven Begleiter

Look-alike booker and part-time Cher Audrey Cassel with a few of her clones-for-hire **People know it's an illusion, but they get goosebumps anyway.**

Central Casting Corp

Former Florida real estate salesman Timothy Watters and Nashville housewife Elaine Kouba in their look-alike roles **Watters could pull down $1 million next year.**

ichael Lundeby, a Minneapolis arketing consultant who moonghts as a David Letterman lookike, is often besieged for autographs airports. "I tell people I'm not etterman, and they tell me I'm just uck-up," he says.

The conventioneers and party-gos know it's all an illusion, but it oesn't matter. It's a fantasy about a ntasy. One Liz Taylor look-alike gets steady work as a motivational speaker, since she *looks* like she's overcome what Liz has overcome.

Audrey Cassel is a Cher double as well as the head of Look Twice Productions, Inc., a look-alike booking agency in Montvale, N.J. "I'm like a department-store Santa Claus," she says. "This is as close to Cher as they're ever going to get. One guy even stole my shoe—he probably still thinks he's got Cher's shoe!"

Presleys and Bogarts are always popular. Perots and Gingriches are getting hot as election fever rises. A woman from California who looks just like Dr. Ruth Westheimer, giver of sex advice, is a big hit at corporate functions. She's got Dr. Ruth's Tweetie Bird-cum-Henry Kissinger voice. Ron Smith, a Los Angeles booker, has an ample supply of Marcia Clarks, Johnnie Cochrans, Kato Kaelins and Judge Itos. They've all been busy lately.

Can a double get into legal trouble? Richard D'Addabbo, a sales rep for a pharmaceutical division of Johnson & Johnson in Raritan, N.J., is a Jerry Seinfeld clone who shows up at corporate parties and collects between $350 and $500 an hour for just standing around. "If he isn't standing up there doing Jerry's routine as Jerry, there's no reason to go after him," says Jay Cooper, Seinfeld's lawyer at the Los Angeles firm of Manatt, Phelps & Phillips.

Still, it's a fuzzy area of the law. Attorneys for Marilyn Monroe's estate have long gone after impersonators. The Beatles in 1986 stopped *Beatlemania,* a Broadway show that attempted to re-create live Beatle concerts.

Not all celebrities sell well. "I've got the Pope," laments Cassel, "but what can he do?" But then Smith, the Los Angeles agent, has an O.J. look-alike standing by. Isn't that stretching things? "I was there the night O.J. was introduced to Nicole," says Smith. "He's a dear friend, and I know what O.J. would say. He'd say, 'Ron, go for it!' " —J.L. ■

A power system that knows how to mind its manners in any neighborhood.

ether your neighborhood is a picture-postcard
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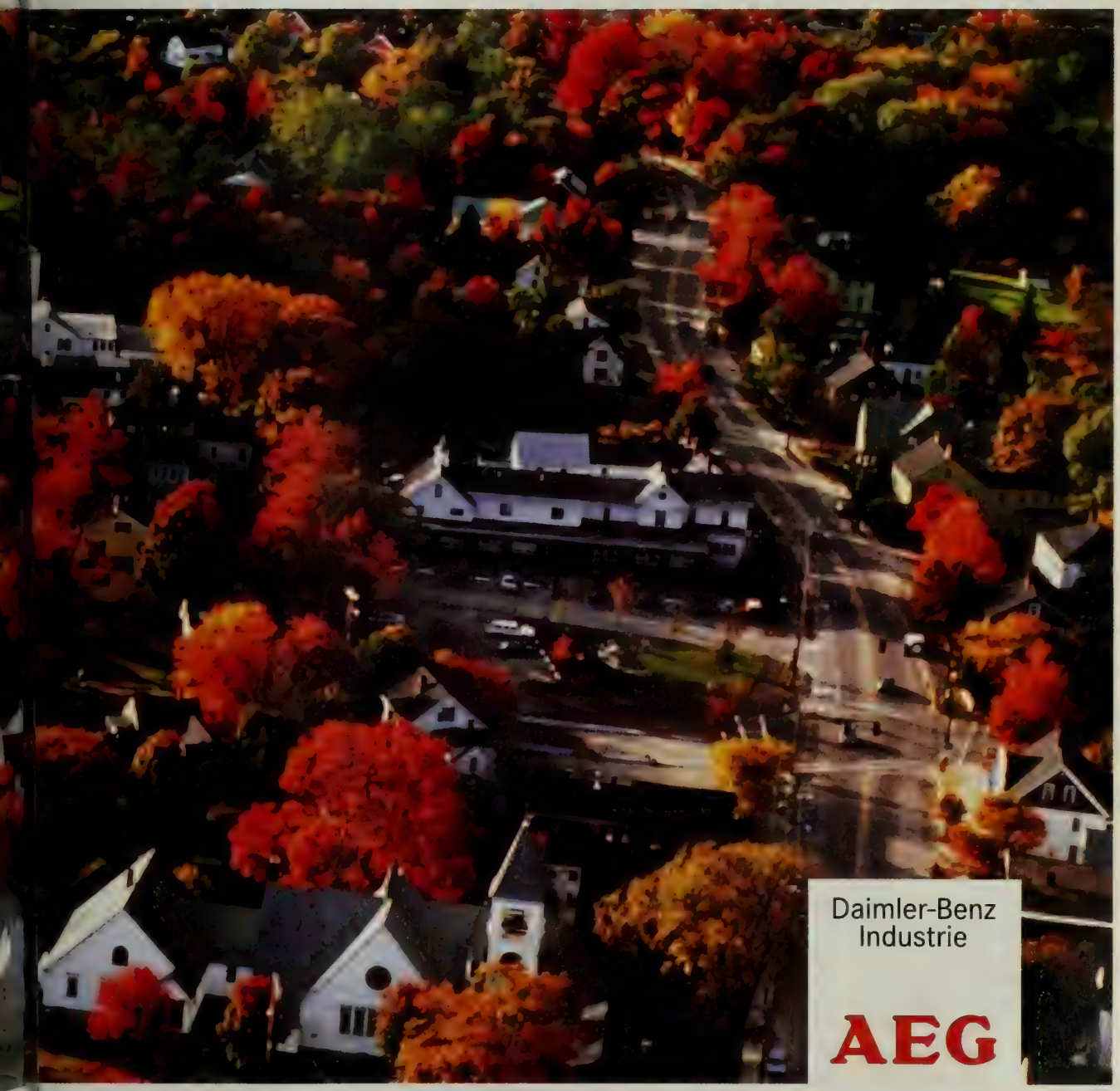


NOTHER DAY, A BETTER WAY

Though still the brunt of jokes, the Weather Channel has turned into a top cable network.

What brand is your weather?

By Fleming Meeks

GIL SHAHAM, an Israeli violinist, had just finished recording his version of Vivaldi's "The Four Seasons" last year. How do you promote a highbrow product like this?

In February the 24-year-old violinist appeared before a large weather map in 30-second spots that aired on the Weather Channel, while the sonic gusts of Vivaldi's "Winter" concerto swirled in the background. Shaham's recording shot to number three on *Billboard*'s classical charts, selling over 100,000 copies—three times the sales of Shaham's two previous CDs. "For a traditional classical album, that's way over the top," says Albert Imperato, head of U.S. marketing for Deutsche Grammophon, Shaham's record label.

When it first went on the air with four sponsors 13 years ago, the 24-hour-a-day Weather Channel was the object of intense snickering. But if this is video wallpaper, a lot of people must like staring at the wall.

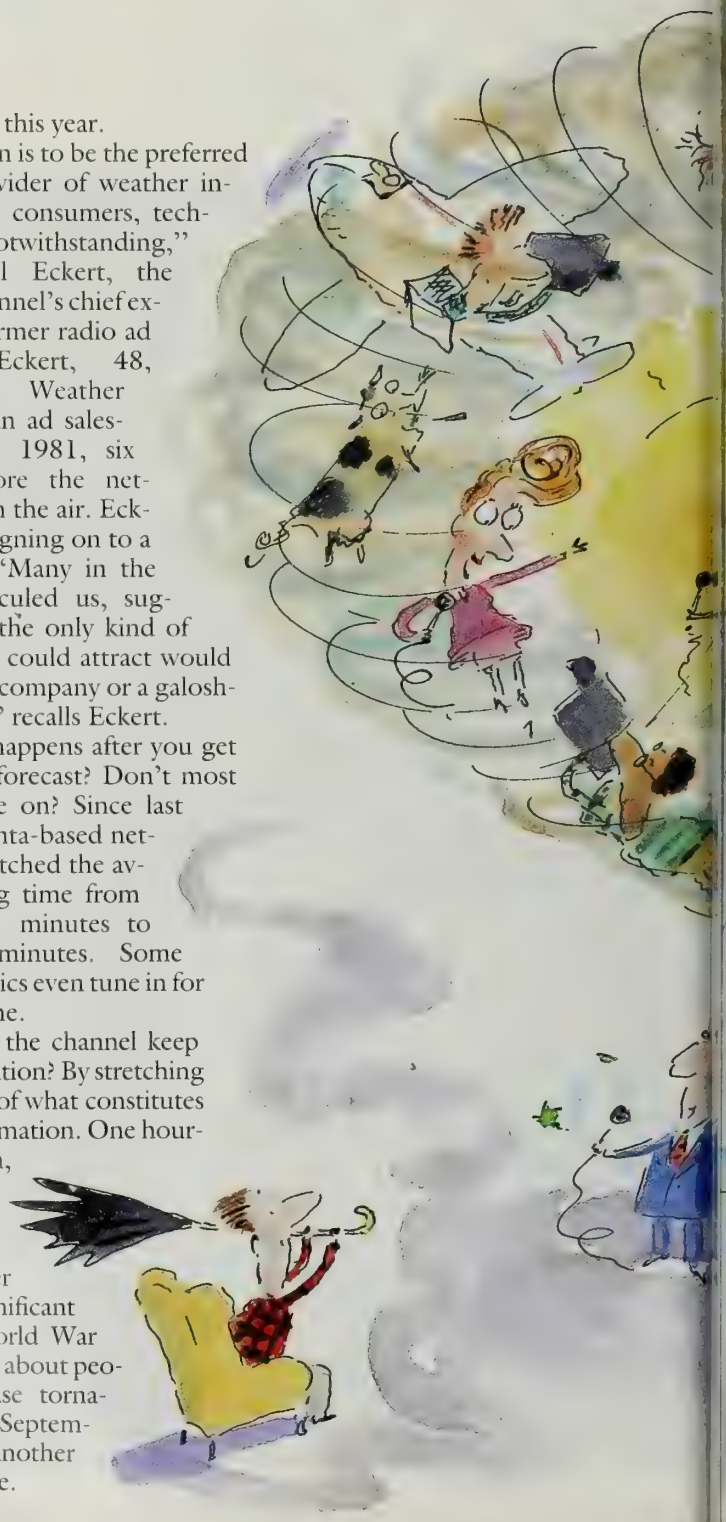
With close to 61 million cable subscribers, it is now one of the top dozen cable networks in the country. In the first half of this year its average viewership jumped 37%, to 280,000 homes. All this is music to Norfolk, Va.-based Landmark Communications, a privately-held media conglomerate that owns the channel.

Paul Kagan Associates estimates advertising revenue for the Weather Channel this year will hit $40.8 million, up from $24.6 million five years ago. Advertisers include fat pocketbooks like Buick, Motorola and Campbell Soup. Subscriber fees, Kagan estimates, will add another $48 million to revenues. Then there are videos, CD-ROMs, syndicated weather reports for radio and on-line services. In all, revenues will push close to $100 million this year.

"Our vision is to be the preferred branded provider of weather information to consumers, technology notwithstanding," says Michael Eckert, the Weather Channel's chief executive. A former radio ad salesman, Eckert, 48, joined the Weather Channel as an ad salesman in late 1981, six months before the network went on the air. Eckert was not signing on to a sure thing. "Many in the industry ridiculed us, suggesting that the only kind of advertiser we could attract would be a raincoat company or a galoshes company," recalls Eckert.

But what happens after you get the weather forecast? Don't most viewers move on? Since last year the Atlanta-based network has stretched the average viewing time from less than 11 minutes to nearly 14 minutes. Some weather fanatics even tune in for hours at a time.

How does the channel keep people's attention? By stretching its definition of what constitutes weather information. One hour-long program, *Forecast for Victory*, took a look at the role weather played in significant battles in World War II. *The Chase*, about people who chase tornadoes, aired in September and was another viewer favorite.



The programming backbone remains the local weather. The channel's 60 behind-the-scenes meteorologists analyze National Weather Service data from 4,000 weather zones around the country. Every ten minutes, 4,000 separate, updated forecasts are beamed to the satellite. Each cable system has a box coded to pick off the forecast for its area.

Naturally, folks at the channel are always on the lookout for a really big storm. When Hurricane Erin hit in August, viewership jumped to 1.4 million. "Hurricanes are like the O.J. Simpson trial for us," says Eckert.

Eckert is now looking for line extensions of his basic product. The Weather Channel Radio Network now produces weather broadcasts for 120 radio stations. The Weather Channel Connection, a 900 number weather service, is one of AT&T's top 900 numbers. During August and September, hurricane season, the Weather Channel's forum on CompuServe was the on-line service's busiest area, drawing some 500,000 visits. And last month the network began shipping *Everything Weather*, a $50 CD-ROM jammed with weather data, pictures and video.

To help him extend the brand, Eckert hired Ellen Turner, former vice president of marketing for PepsiCo's $4 billion (revenues) Taco Bell division, to head up marketing efforts. Turner is working with ad agency Bozell Inc. on the Weather Channel's first major advertising campaign, a $5-million-to-$10-million drive to give the network an authoritative yet avuncular personality.

Eckert is also looking for growth overseas. He will soon launch a new Weather Channel network in Germany, and is negotiating similar deals in 12 more countries in Europe, Asia and Latin America.

David Letterman may take shots at the channel, but its ratings are headed in the right direction while his aren't. He who snickers last. . . .

An obscure firm in Kentucky upstaged Microsoft, Intel and AT&T. Now Databeam is ready to reap the royalty checks.

The transcontinental blackboard

By Jeffrey Young

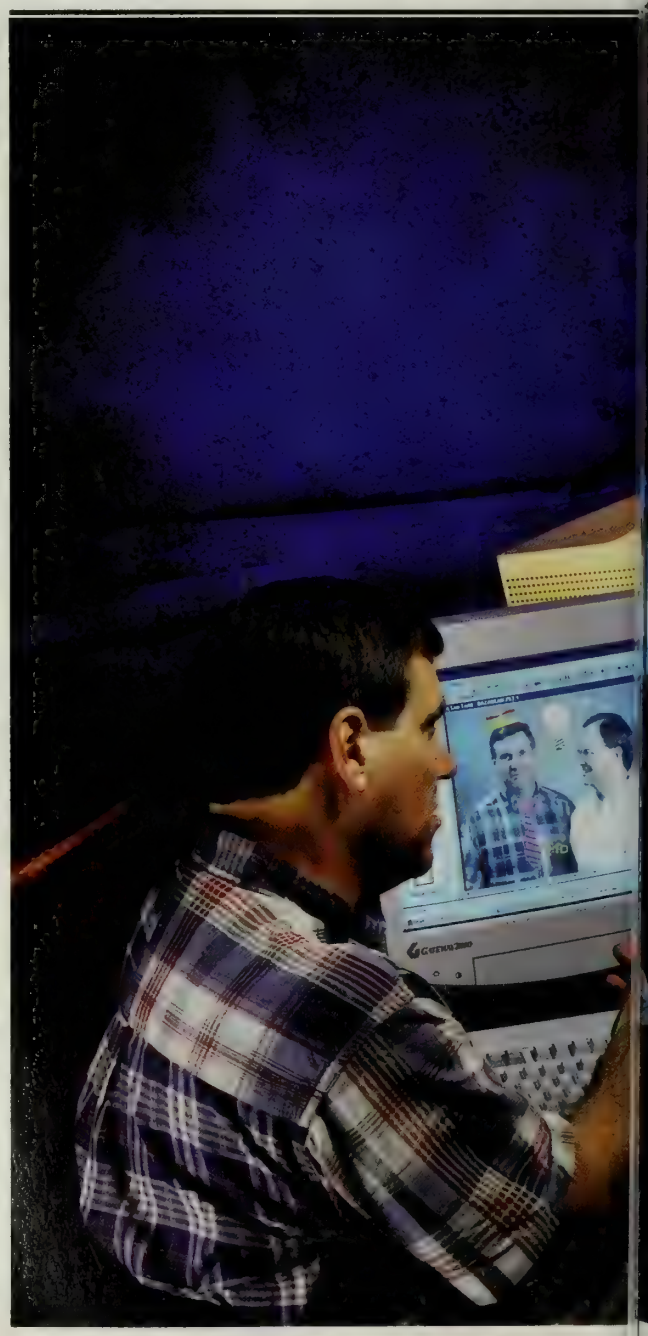
WHO GOES to those tedious meetings of international committees that set standards for electronic devices? It's a thankless task, but someone has to do it. Thus it was that C.J. (Neil) Starkey, chief technical officer of Databeam Inc. in Lexington, Ky., came to be, in 1988, the unpaid chairman of the International Telecommunication Union's audiographics conferencing committee.

Five years and 30 sessions later, the committee promulgated T.120. This 8-inch-thick decree set forth an electronic format for documents to be simultaneously worked on by two distant parties connected by a telephone line.

The meetings took place in Switzerland, France and Japan, among other places. Starkey was jet-lagged. "They lasted for a week at a time," he recalls. "Tedious, detailed work."

But the volunteer labor is paying off now. Starkey is the second-largest individual shareholder in privately held Databeam, which specializes in communications software. T.120, it just so happens, bears a striking resemblance to a shared-file system that Databeam developed in the early 1980s. At that time Databeam's customers were military contractors willing to spend $70,000 for a communications system that would allow engineers in different cities to pore over a Star Wars blueprint together.

Star Wars isn't so hot now, but other markets are. A lawyer in Sacramento and a client in San Francisco could use T.120 to fiddle with a lease. Stress Engineering Services in Cincinnati uses Databeam software to share sketches of bottle caps and bottles with its package design clients. Some-



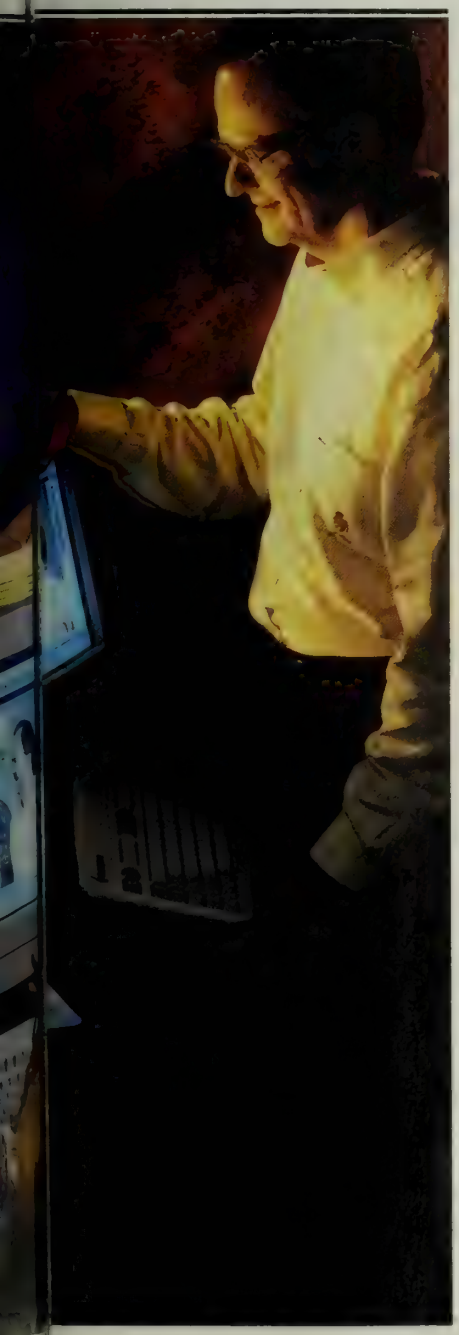
Jon Feingersh/Gamma-Liaison

Databeam Chief Technical Officer Neil Starkey (left) and President Lee Todd **Beam back and forth whatever you want—memo, graphics, video.**

day teenagers could use T.120 to play videogames across phone lines.

T.120 is in the public domain. Anybody can write software that incorporates this protocol, just as anyone can make a fax machine that speaks in the internationally standardized language used for fax transmissions. But, just as there are only so many firms that are really good at making fax machines, there are only a handful of firms that are handy with T.120 software. Databeam is way out in front.

Over the past 18 months AT&T, MCI, British Telecom, Apple Computer, Microsoft and finally Intel have agreed to license Databeam software and incorporate it into their own services and products. Intel's decision was a real coup for Databeam, given that Intel has been selling a competing data-conferencing routine called ProShare (FORBES, *May 8*).



The trouble with ProShare was that it was based on a proprietary Intel format rather than an international standard open to all. As powerful as the Intel name is, it could not overcome users' fears that they could be isolated if the rest of the world converged on a rival format. ProShare won't go away, but, in a concession to the fact that a language is only as good as the number of people who speak it, ProShare will now offer users the option of speaking Databeamese as well as Intelese when they want to connect two distant computers.

Here's how a T.120 session might work. The lawyer and his client talk on the phone while simultaneously using a second phone line to connect their personal computers. Both computers are equipped with communications software that understands T.120. The lawyer calls up a draft of the lease from his hard drive. The first page of the document appears immediately on the lawyer's screen and pretty quickly on the client's. Each user gets control of a cursor and a keyboard. Thus, the lawyer could be changing $5,000 to $50,000 on the third line—with the change seen on both screens—while the client is correcting a misspelling on line 20. In effect, the document becomes a blackboard with a chalk and eraser handed to each participant.

While this is going on, the computers' modems remain in contact and pages 2 through 19 are unobtrusively sent from the lawyer's computer to the client's computer. A few minutes later the lawyer wants to skip to the bottom of the lease. The document scrolls down instantaneously on both computers, because by now the complete file is available in computer memory at both sites. A "store" command by either player can store the file on both hard drives.

The system can be scaled up to dozens or thousands of participants. All you need is rules to limit the number of players who control the blackboard, lest chaos ensue.

The beauty of this technology is that it is independent of the hardware or software used. There could be an Apple Macintosh at one end and an IBM PC at the other. T.120 accommodates itself to whatever phone line is available—garden-variety or souped up for high bandwidth.

Eventually, says Blake Irving, a communications engineer at Microsoft, collaboration software will enable users to run one another's computers. "People will be able to work together no matter what hardware or software they are using, or where they are located, or how they are connected," he says. Windows 95 doesn't have Databeam's T.120 software built in, but the next version will.

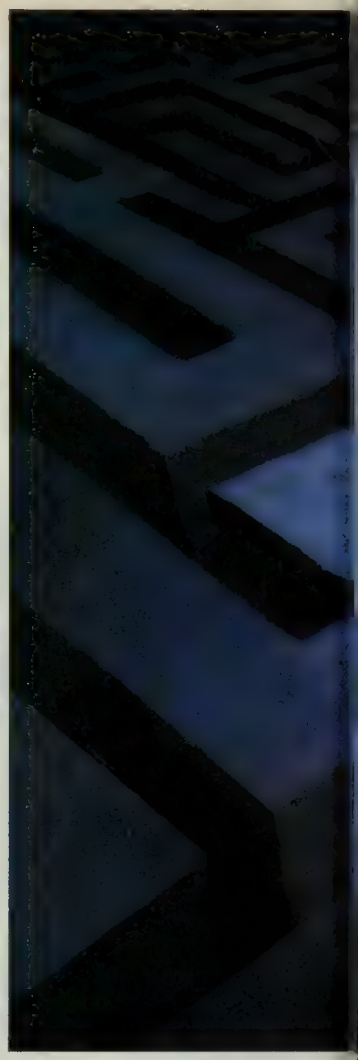
Intel's decision to license part of the T.120 software was a real coup for Databeam.

The privately held Databeam expects revenues topping $7 million this year, double last year's. It has four ways to profit from the standard in the public domain. It sells a $200 (retail) program called FarSite that competes with ProShare in the document-sharing market. Next, it sells, for over $100,000, a collection of prefabricated software useful to programmers who want to incorporate T.120 into their own software. For a third revenue stream Databeam collects royalties when this prefabricated code turns up in products sold to the public.

The fourth revenue stream is still on the horizon but could become big for Databeam: selling its own specialized application software in which data collaboration plays a role. Lee Todd, Databeam's largest individual shareholder and its president, offers an example: "With our products there's no reason a doctor can't sit in the lobby of a hotel, link up his laptop to a distant magnetic resonance imaging machine over a phone line, take a look at an image, make a few adjustments to onscreen sliders and knobs, then scan another view remotely.

"There are thousands, maybe millions of machines and systems like that which can be controlled by PCs from a distance. All are ideal for data collaboration."

FOR FINANCIAL INSTITUTIONS, IMPROVING CUSTOMER SERVICE IS A COMMON GOAL.



FINDING THE RIGHT COURSE DEPENDS NOT ON TECHNOLOGY ALONE, BUT ON HOW IT IS APPLIED.

In the highly competitive financial industry, it's not how many bells and whistles you offer, but rather how efficiently you deliver the most to your customers. Those with the clearest vision of technology's potential — and the keenest knowledge of how to tap that potential — gain a distinct advantage over their competitors.

For more than 135 years, Diebold has provided the technological insight needed to help its financial customers develop solutions to a broad range of challenges. Financial institutions, in turn, count on Diebold's system solutions to improve the quality and breadth of services they deliver to their own customers.

Diebold's expertise in self-service, security, software and technical services has had a major impact on the quality and variety of services that consumers have come to expect from the financial industry. Diebold is a pioneer in developing automated transaction systems that enable consumers to perform a growing range of financial activities quickly and conveniently, 24 hours a day, at an increasing number of branch and non-branch locations.

Complementing Diebold's self-service capability is its security expertise. Since 1859, Diebold has provided financial institutions with the highest-quality security equipment and systems to protect assets, facilities and people. Today's most effective security operations link a wide range of physical and electronic equipment from vaults and safe deposit boxes to video monitoring and access control devices — in an integrated, computer-controlled system. Diebold consultants can go a step further, integrating security with self-service to achieve greater efficiency, improve quality and enhance user convenience.

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Jack in the box

BY JOSEPH R. GARBER

Joseph R. Garber is a strategist with Americom Corp. in San Francisco.

CAN YOU REMEMBER how many cardboard boxes you bought last week?

Probably more than you think. There aren't many exceptions to the rule: If you have it, a box got it there. The U.S. packaging industry's sales will top $25 billion this year. That's good news for all the pulp and paper giants that make the cardboard, for the 600 or so other firms (most of them mom-and-pop operations) that convert the rolls of cardboard into printed boxes—and for a software firm in Irvine, Calif. called Artios.

It would be easy to assume that boxmaking is a no-brainer business. Cut some cardboard, fold it in the right places, print labels on it and truck it to your customers. Simple, right?

Wrong. Boxes are complex studies in three-dimensional geometry, structural integrity and raw materials optimization. In other words, designing boxes is a chore more suited for a computer than a draftsman.

The computer's power comes across most clearly in how it lays out patterns. Plant managers want to cut as many boxes as they can from a single sheet of cardboard. But unfolded boxes are complex polygons, and the only way to minimize the waste is to rearrange the polygons over and over again to see which arrangement packs them most tightly. Artios to the rescue: The software looks at tens of thousands of different layouts and chooses the best.

Two years ago there were about a half-dozen outfits making the very specialized software needed to solve the problems of box design. Two of them each held about a one-third share of the market. One was an entrepreneurial shop in Massachusetts called Laserpoint. The other was a California-based (but Norwegian-owned) outfit called AEI-Kongsberg. A clever venture capitalist spotted a profitable opportunity for consolidating the two, and began prodding investors to think about buying the software rivals and merging them into a single powerhouse. His theory: The deal was a new issue in a box—six months to a public offering, instant riches.

I know all this because I was hired to help evaluate the deal for the investors. I delivered the conclusion that while the merger was worth doing, it would be two years before the thing was ready to go public.

Why? Because in style of operations, the two companies were at opposite poles. Laserpoint was run like a freewheeling entrepreneurial garage shop. AEI managed itself with as buttoned-down a set of procedures as I had ever seen. Moreover, the companies used wholly different software technologies. AEI had standardized on PCs and Microsoft Windows, while Laserpoint had its roots in minicomputers and Unix. I also expected there would be some problems merging two sales forces that were used to treating each other as hated rivals.

I was only partly right. Now called Artios—a name expensively concocted by some image consultants to sound good on Wall Street—the Laserpoint/AEI combination will see sales of about $35 million this year, up from $22 million in 1994. Next year's forecasts call for $50 million—the sort of performance that puts the company on track for a stock offering just about when I predicted.

The rest of my prognostications weren't so hot. Turns out the technologists meshed very well. The creative entrepreneurial gang at Laserpoint was yearning for more discipline in their lives. The disciplined, procedurally driven types at AEI wanted to become more creative. It took the programmers no time at all to agree on which parts of their respective software did the best job, and to start merging the pieces into a single package.

As for the two sales forces, they hit it off, too; each had expertise that the other lacked, and the salesmen learned to rely on one another in developing new business. Of course, it didn't hurt that Artios' stock option plan rewarded cooperation.

The whole proved greater than the sum of the parts. Rather than worrying about which of two, small, warring organizations would be the long-term survivor, the customers had a single industry leader to look to. And the scale of the merged organization created sufficient mass for Artios to get serious about global markets. Premerger, about 20% of the two companies' combined revenues came from abroad. These days it's closer to 40%.

The software looks at tens of thousands of different layouts and chooses the best.

Best of all, by joining forces, Laserpoint and AEI propelled themselves into a much larger market—software for box-factory order entry, tooling, manufacturing and shipping.

Artios' investors paid me cash for my skeptical premerger work. Now, 18 months later, I wish I had asked for equity instead. ■

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Fish farming works well in ponds and near the shore. Sea Pride Industries is trying deepwater farming.

New industry: mariculture

By William G. Flanagan

THE WORLD is running short of fish. According to the National Marine Fisheries Service, 40% of the important ocean species are being yanked from the sea faster than they can reproduce. Henry S. Parker, the Department of Agriculture's aquaculture program coordinator, estimates that fish are being harvested at the rate of 97 million metric tons a year. Yet, by 2025 even if the catch remains that high, demand will outstrip supply by about 75 million metric tons.

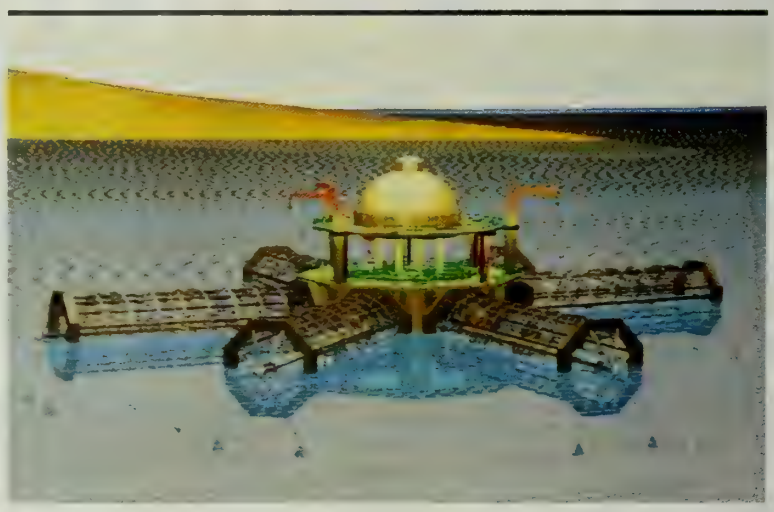
Some relief is coming from aquaculture—farming the sea close to shore, and raising fish in ponds on land. This now accounts for 16% of the world's fish harvest. Salmon are farmed in Norway, Scotland, Chile, New Zealand, Japan and in the Northwest and Northeast of the U.S. Trout are farmed in Idaho, and catfish farming is a big industry in the South.

What's next? Mariculture—fish farming in the open sea. The idea is to drop huge cages in warm-water seas, fill them with fingerlings, add high-protein food made from fish meal and soy protein, and wait until the fish are large enough to harvest.

Sea Pride Industries, Inc., of Gulf Breeze, Fla., is planning to construct just such a system—hoped to be the first of many worldwide—in the warm water of the Gulf of Mexico, 4 miles southeast of Alabama's Fort Morgan peninsula. The company is now seeking $20 million to fund the venture.

Sea Pride's patented fish-farming system, called Sea Trek, is a Rube Goldberg device impressive more for its engineering scale than its elegance.

It consists of a concrete platform with legs anchored to the seafloor and is much like the platforms used for offshore oil production. Six huge barrel cages are arranged like giant spokes around the platform's legs. Each cage is 172 feet long and 40 feet in diameter, and is lined with a net.



Computer-generated image of Sea Trek system
The first one will sit 4 miles off Fort Morgan, Ala.

The steel cages are fitted with air tanks for raising and lowering, to make harvesting easier. The cages can also be rotated, allowing for easier cleaning of the nets. Pipes running through the core of each cage dispense pelletized food up to 80 times a day.

With this contraption Sea Pride says it can raise 3 million to 5 million pounds per year of fish. It will stick to species that are native to the Gulf and command high prices. As a vehicle for protein conversion, these cages are supposed to be very efficient, almost as good as a Perdue chicken coop. It will take only 20 pounds of feed to grow 10 pounds of fish, says Sea Pride, and that quantity of fish will yield 3 pounds of fillets. The feed is supposed to cost only 35 cents a pound, and the fillets will sell for $6 to $8 a pound wholesale.

Sea Pride's John Ericsson
Fast-growing mahimahi could be his best crop.

Target species: red drum (a bass made popular by New Orleans chef Paul Prudhomme), red snapper, hybrid striped bass and mahimahi. Sea Pride intends to have its harvest inspected by the U.S. Department of Commerce and to brand its fish, just

s Frank Perdue does the chickens aised by his contract growers.

According to tests conducted by OI Consultants—a subsidiary of the Oceanic Institute—in Hawaii, redfish nd striped bass reach marketable ize—2 to 5 pounds—in 12 to 18 nonths. The voracious mahimahi ook especially promising, since they grow from fingerlings to a weight of 2 to 5 pounds in just 5 months. The species also spawns readily and has shown promising survival rates.

The Sea Trek platform is 10,000 square feet in size and will contain a research laboratory, crew quarters, classroom and heliport. The barrel cages, which cover an area of about 5 acres, will normally be partially exposed to the surface, so the sun and air can help cleanse the netting. The cages will be rotated to expose different sections to the surface. In the event of bad storms or hurricanes, they can be completely submerged, and, in severe cases, detached from the platform's legs and anchored to the seafloor.

What about predators? Salmon fisheries have been dogged by clever sea lions, which have torn and damaged nets to get at the fish. "They can actually suck the insides of the fish right through the nets," says John R. Bond, a naval architect and consultant on the Sea Trek project, who helped in the development and testing of prototype cages.

Each Sea Trek could raise 3 million to 5 million pounds of fish a year.

To keep sharks and other poachers away, a frame of fiberglass rods will be placed around each cage. "I want the sport fishing rights around the Sea Trek," laughs Bond.

Floating concrete platforms are not cheap, so Sea Pride may make do with hand-me-downs. Several oil companies have offered to donate abandoned drilling platforms to Sea Pride. That would save them the expense of dismantling the rigs.

John Ericsson, 49-year-old inventor and president of Sea Pride, has spent two years developing the Sea Trek system and landing regulatory and environmental clearances and permits. He hopes to license the system abroad. Governmental bodies in Argentina, Brazil, Chile, India, Israel, Italy, Mexico, Micronesia, Oman, Russia, Taiwan and Thailand have expressed interest.

Sea Pride is also in the oystering business, and has a patent pending on its Sea Star system for helping to cleanse oysters taken from polluted waters. Left in the open sea in big steel racks, the oysters cleanse themselves and are ready for market in 7 to 14 days. The process adds 25 cents to the cost of each oyster and greatly reduces the risk from *Vibrio vulnificus*, a potentially deadly bacterium that thrives in the Gulf of Mexico during warm weather. ■

Orwell, Rifkin and silicon

BY PETER HUBER

Peter Huber, a senior fellow of the Manhattan Institute, is the author of Orwell's Revenge; E-mail address is 72643.2211@compuserve.com

REMEMBER the killer tomatoes? Concocted by demented bioengineers, they were going to take over life on the planet. The tomatoes recently mutated into computers.

Jeremy Rifkin warned us of the perils of genetically altered fruit in his book *Algeny* a crisis or two ago. He now reveals in *The End of Work* that silicon-powered machines will eliminate most of our jobs. The machines will leave behind teeming masses of the discontented unemployed. Only a tiny nucleus of the techno-elite will prosper and rule.

George Orwell wrote much the same book half a century ago. With the advent of industrial machines, Orwell explained in *1984*, "hunger, overwork, dirt, illiteracy, and disease could be eliminated within a few generations." With machines controlled by a reactionary upper class, however, the world of 1984 would be ruled by a small oligarchy of "business executives, technicians, bureaucrats and soldiers."

Another gang of modern doomsayers says we're going to work harder than ever. Our parents, they maintain, got by nicely on Dad's paycheck alone. Today Mom is working full time, too, yet the family can barely make ends meet. In the 1930s Orwell met some of those "non-working" moms, too. He described one "kneeling there in the bitter cold, on the slimy stones of a slum backyard, poking a stick up a foul drain-pipe."

There you have the Orwell-Rifkin philosophy in its full contradictory glory: Technology is bad because it will put us out of work and it is bad because it will cause us to work ourselves to death.

Futurists interested in the impact of technology on work should study the labor revolution we've just survived–the one involving women and drudgery. It was once thought that technology would automate cooking, laundry, dishwashing and even the teaching of young children. Women would have nothing to do but attend tea parties.

Half the prediction has come true: Technology has indeed displaced a large part of traditional "women's work." But the consumption of tea has remained flat. Women still work, as they always did, but today they specialize, just as men do. Grandmother was a plumber, baker and nanny, and worked liked a dog, for her family. Her granddaughter assembles microwave ovens, and gets paid in cash, by General Electric. She leaves it to Swanson's to assemble the meatloaf. She works less hard than gramma did, but she still works pretty hard. Vastly more women work—for a paycheck—than ever before.

Technology does indeed transform the nature of work, sometimes beyond recognition. But it doesn't end it. In Victorian England, the poor didn't own ovens; Bob and Mrs. Cratchit took Scrooge's Christmas turkey to a bake shop. Electricity and gas moved baking into the home. Then refrigerators and microwaves moved much of it out again. But there has been no End of Cooking—we've just shuffled the cooks. And as technology has made cookery far more efficient, we've taken up the slack by eating more varied foods, in more varied places.

Or consider another traditional "woman's job"—teaching. In a one-room schoolhouse, the teacher taught English. On a nationwide net there is demand for Sanskrit, too. Knowledge workers—not just teachers but bankers, engineers, insurers, translators and countless others—can now sell skills nationwide or beyond. Communications technology then makes possible differentiation and specialization that would not be viable in smaller markets.

It was once thought that technology would automate cooking, laundry and teaching. Women would have nothing to do but attend tea parties.

The no-more-work crowd usually grant there are new opportunities for Sanskrit scholars; it's the blue-collar worker they say is doomed. Yet today's factory worker is assembling products and using machinery that would both have been unimaginable a generation or two ago. Even the maligned hamburger flipper is operating electronic cookers, drink dispensers and cash registers; her job couldn't exist at all without a vast array of refrigerated trucks, communications networks and other gadgetry. No, she isn't getting rich there behind the grill. But flipping hamburgers at home, for dad and the kids, without gadgets at hand, left women poorer still. The collapse of the family impoverished women; technology didn't.

Like many techno-futurists, Rifkin is fascinated by the supply side of things—the machines that will do it all. But like legions of other techno-pessimists, he allows for no happy surprises, no unexpectedly favorable developments, no unanticipated opportunities for new kinds of workers. Don't make plans for Rifkin's endless weekend quite yet. ■

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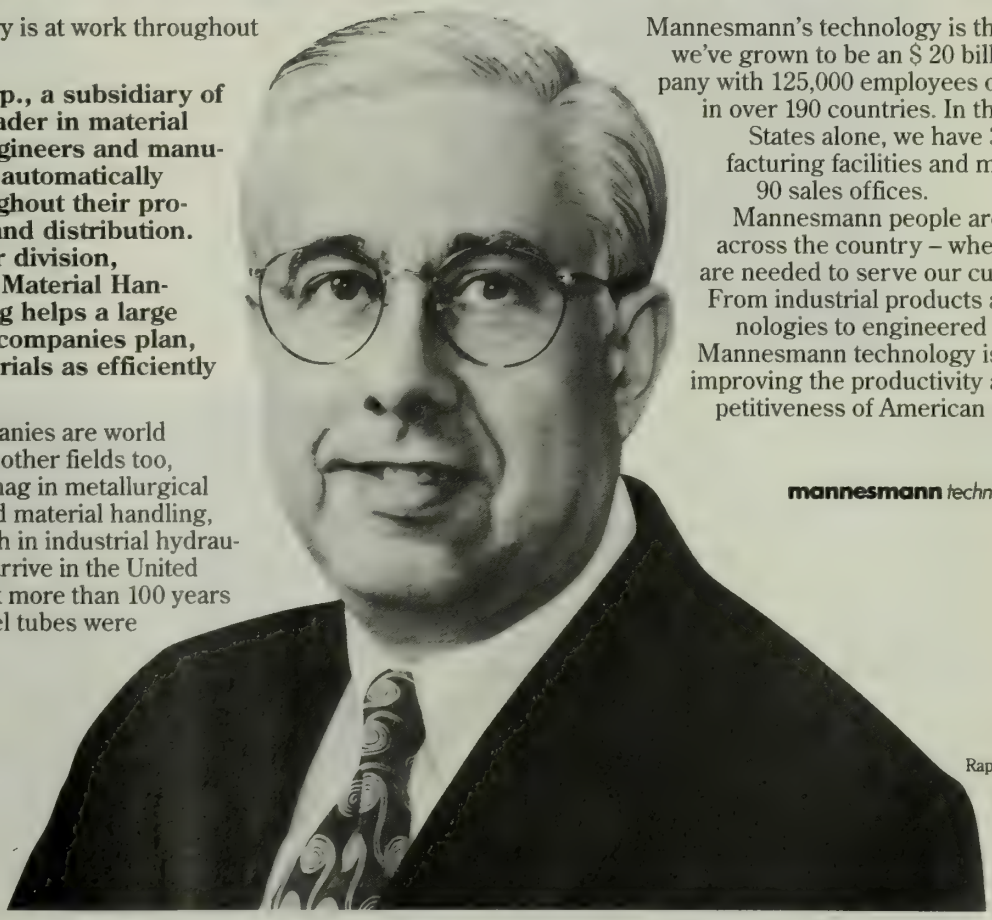

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Scroll with it

IF YOU FIND OUT what to watch on television by checking a scrolling listing service on your cable system, you've probably got Joe Batson to thank.

Batson, 40, runs Prevue Networks, the nation's largest supplier of electronic television listings. Prevue is the crown jewel of Tulsa-based United Video Satellite Group Inc., a collection of satellite communications businesses that John Malone's Tele-Communications, Inc. announced it would buy 35% of this past July.

When Batson, a veteran salesman and marketer for cable operators, joined Prevue in 1987, sales were a meager $3 million and the service was reaching only 7 million households. "Any fool in his right mind wouldn't have taken this job," says Batson.

But he did, adding paid video promoting upcoming shows, creating a celebrity-interview segment and launching Sneak Prevue, a new channel plugging pay-per-view shows.

Revenues are $28 million, and services reach over 50 million households. Next: Latin America, Europe and a third network to promote cable and its services.

Prevue's Joe Batson
"Any fool in his right mind wouldn't have taken this job."

Doug Winer

Monkey business

Conall Ryan of Houghton Mifflin
Curious George to the rescue?

WHILE THE CD-ROM business boomed, $483 million (sales) Boston-based publisher Houghton Mifflin ignored it—until now. "The dance was well under way, and they weren't dancing," says Conall Ryan, who, as the first head of its year-old interactive division, is under pressure to stamp out its wallflower status.

In a dizzying rush to market, Ryan, 37, has spent $5 million to develop 7 CDs—3 originals, the rest based on Houghton's library, including the perennial favorite *Curious George* and the popular *Peterson* bird guides. All should hit the market in the next two months.

The son of a literature professor and a pianist, he's played violin in a professional string quartet and published two novels. But he's made a career in software marketing and multimedia publishing, joining Houghton last year from educational software firm Knowledge Adventure in Glendale, Calif.

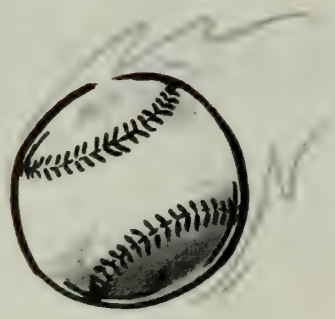
In the crowded CD market, Ryan's facing an uphill battle. "There's not enough shelf space," he says. "Only the strong will survive."

Drug runner

WHEN THE federal government proposed more stringent controls of drugs in nursing homes in the late 1980s, Donna DeNardo saw an opportunity. Then an administrator for Manor Care, the $1.3 billion nursing home operator, DeNardo in 1989 launched Naperville, Ill.-based Vitalink, a Manor Care subsidiary, to provide drugs and record keeping to institutions. "We're basically a hospital pharmacy," she says. "We're just not in the hospital basement."

A college dropout whose grandmother taught her bookkeeping, DeNardo, 43, worked in nursing home administration for several years before landing at Manor Care in 1981. At Vitalink, she's spent $47 million to buy nine smaller institutional pharmacies, partly financed out of a $38 million 1992 public offering. Results have been impressive. This fiscal year Vitalink did $112 million in sales. Only half of that, DeNardo notes, came from Manor Care.

Vitalink Pharmacy Services' Donna DeNardo
Out of the basement and into the black.



Who draws better? Mattingly or Matisse?

The artistry of Don Mattingly draws throngs of admiring fans. So does the work of Henri Matisse. A recent Matisse exhibition attracted almost a million visitors. And catch this: New York City's museums draw far larger crowds than all of its professional sports teams combined. The arts, like sports, add billions of dollars to our economy.

Many businesses recognize these impressive stats. A few have made extraordinary investments in the arts that have enriched our lives and their companies. To draw national attention to their leadership and accomplishments, the Business Committee for the Arts and FORBES Magazine have named them recipients of the 1995 Business in the Arts Awards.

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Which eggs, which baskets?

It's fashionable to tell folks to put everything they've got into stocks. For most people this is absolutely the worst possible advice you can give them.

By Mark Hulbert

MY FAVORITE septuagenarian says he's never seen such a stampede for stocks among the popular pundits of the financial press. Over and over he hears the same tune: For the long haul, stocks return about 9% a year on average, counting both dividends and capital appreciation. At 9% you double your money every 8 years, quadruple it in 16, in 32 years. . . . Hell, you can't lose. Just be patient enough to ride out any intervening bumps.

Or in the words of investment idol Peter Lynch, whose happy face adorned the cover of a recent issue of Fidelity Investments' *Worth* magazine: "Everybody can be unlucky, the whole country can be unlucky, and stocks will still do better than bonds—assuming you keep your money in stocks for 20 years or longer."

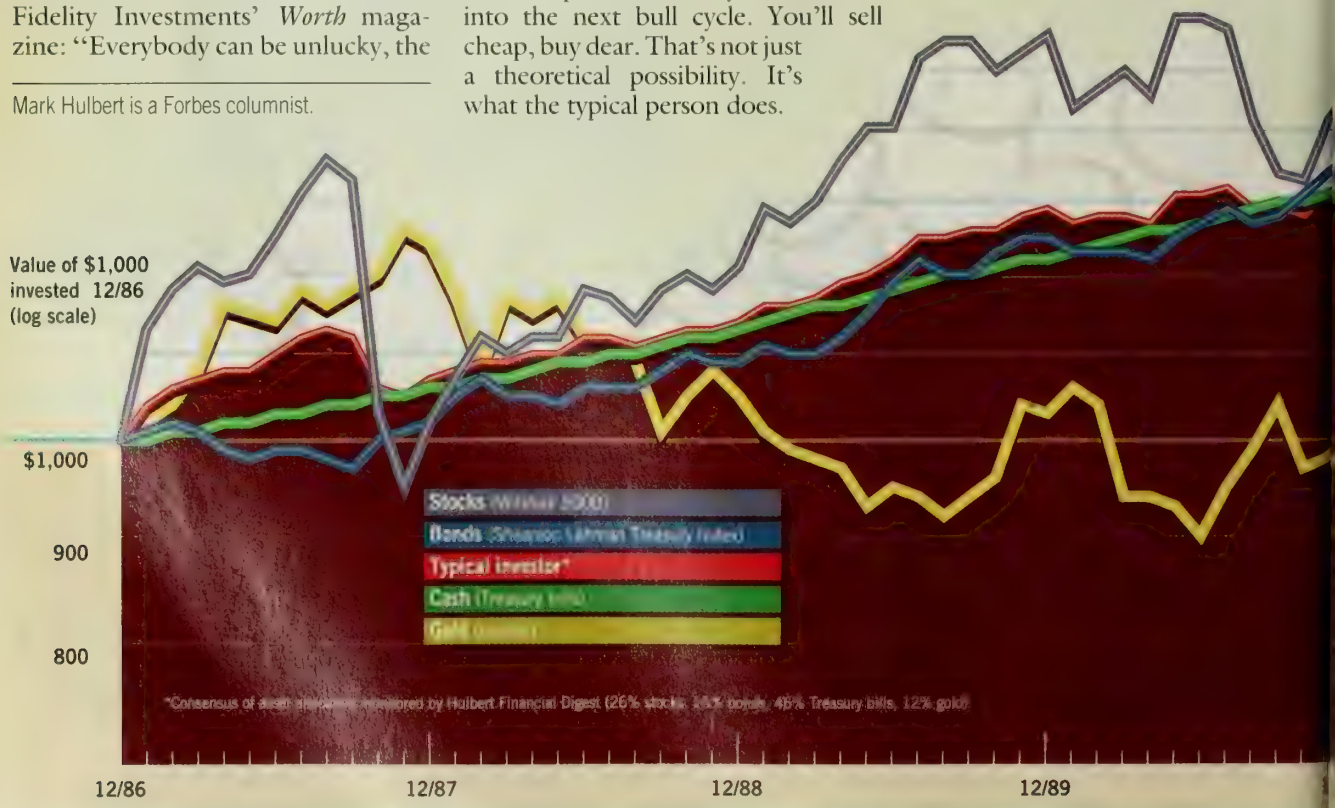
That's not exactly wrong, but for most people, it is the worst investment advice they will ever get. You can get run over on a highway that averages only one truck a day—especially if you panic when it arrives.

If you panic in a bear market—and even the pros panic when stocks drop, drop, drop—you probably get out near the bottom and won't get back in until the painful memory recedes, well into the next bull cycle. You'll sell cheap, buy dear. That's not just a theoretical possibility. It's what the typical person does.

A commentator in the *Wall Street Journal* suggested you even put your emergency money in stocks. If you suddenly need to replace the furnace at a time when your stocks are all down, why, you just borrow against the stocks. This greenhorn and his editors apparently never heard of margin calls or maintenance margin.

They weren't around in the last bear market. At its darkest point, in late 1974, one investment letter editor, speaking at a conference attended by hundreds of serious investors,

Mark Hulbert is a Forbes columnist.



found only five bulls. All five were over 75. So much for holding through thick and thin. That's why I listen to my septuagenarian.

Of course, the battered heirs of any investor who tries suing Peter Lynch for his advice will find his cover story contains appropriate weasel warnings, such as that the wait might be as long as 20 years. But we note one quibble: According to the Wharton School's Jeremy J. Siegel, in his *Stocks For The Long Run*, bonds have indeed outperformed stocks in about 9% of the 20-year periods between 1802 and 1992.

Risk, and your tolerance of it, is not the only reason to be skeptical of the advice to go 100% into stocks. The other reason: As a practical matter, you can't do it anyway. You are forced to allocate your assets.

For example, you have to live somewhere, and the decision whether to buy and how to finance involves several asset allocation decisions, based on your outlook for interest rates and housing prices. You become an asset allocator every time you borrow or lend money. Getting a fixed monthly pension payment makes you the equivalent of a bond investor.

If you pay off the mortgage on your home you are, in effect, making the equivalent of a fixed-income investment. If you buy stocks instead with the money, you are choosing stocks over fixed income. You make another asset allocation decision if you decide to buy a house or apartment instead of renting one. The money you put into that residence is money diverted from other potential investments.

Recognizing that you are forced to be an asset allocator can be a solution, not a problem. The *Hulbert Financial Digest*'s 15 years of monitoring investment advisers has confirmed what you might have suspected: Very few people beat the stock market over the long run. A significant number of advisers, though, do seem to be able to allocate assets among stocks, bonds, cash and/or gold in such a way as to beat standard benchmarks made up of fixed combinations of these asset categories.

The great bull market

If you had put $1,000 in each of these basic investment options at the end of 1986, your stock portfolio would have been the big winner (our chart counts dividends and interest). But the stock market's alarming drops in 1987 and 1990 make the point: It won't always be that way. Similarly, note how competitive cash was through early 1991. The consensus of asset allocation letters is a proxy for the typical investor's experience.

The strategies are ranked according to their Sharpe ratios—a measure of risk-adjusted performance. Although none of the letters beats stocks' return on an absolute basis, half of them do so on a Sharpe ratio basis.

Asset allocation letters

Newsletter / Benchmark	Portfolio	Annualized[1] gain (%)	Risk[2]	Sharpe Ratio	Switches per year
InvesTech Mutual Fund Advisor		10.4%	1.49	0.256	1.2
Peter Dag Portfolio Strategy & Management		8.3	0.96	0.221	1.3
FXC Investors		11.3	2.09	0.219	0.7
Fund Exchange	Conservative Balanced Portfolio	8.6	1.33	0.180	3.3
The Outlook		11.4	2.72	0.178	0.3
Stocks/Bonds/Cash composite		9.3	1.70	0.177	0.0
Fund Exchange	Aggressive Balanced Portfolio	8.6	1.49	0.165	3.3
Bonds		8.4	1.38	0.164	0.0
Stocks		13.4	4.32	0.161	0.0
Moneyletter[3]	"Venturesome" Portfolio	10.6	2.88	0.148	0.8
Typical investor[4]		7.6	1.20	0.134	0.0
Kinsman's Stock Pattern Recognition Svc		8.1	1.58	0.130	1.3
Stocks/Bonds/Gold composite		7.6	1.70	0.099	0.0
Harry Browne's Special Reports	Permanent Portfolio	7.1	1.28	0.099	0.0
Stocks/Bonds/Gold/Cash composite		7.1	1.28	0.099	0.0
International stocks	EAFE index: total return[5]	9.3	5.45	0.080	0.0
Real estate	Nareit index: total return	5.8	3.31	0.021	0.0
Growth Fund Guide		5.7	1.72	0.011	0.6
Garside Forecast	Total Return Fund Switchers	5.6	0.99	0.004	4.4
90-day T bills		5.6	0.14	0.000	0.0
Garside Forecast	Aggressive Fund Switchers	4.8	1.93	–0.024	9.5
Gold		–0.3	3.49	–0.119	0.0

[1]Calculated assuming that each allocation to stocks, bonds, gold or cash was "invested" in an appropriate index—the Wilshire 5000, the Shearson Lehman Treasury Index, bullion or 90-day T bills, respectively. [2]Standard deviation of monthly returns in percentage points. Higher numbers denote higher risk. [3]William Donoghue, who used to edit this service, now publishes a different service entirely, *Donoghue Wealth Strategies*. [4]Consensus of asset allocators monitored by *Hulbert Financial Digest*. [5]Morgan Stanley Capital International

And there's another point to make about that performance. Good asset allocation may not necessarily beat the stock market in absolute returns—especially not in a bull market. But it can significantly reduce your level of risk. And it can improve your chances of surviving a severe slump.

How? An example will illustrate. Suppose that you cannot stomach the gyrations of the stock market but are willing to expose your portfolio to half the market's risk. In Peter Lynch's world, investing in bonds is always bad because they don't do as well as stocks over long periods. So your only option is to keep in cash half of the funds you would otherwise allocate to stocks. And your performance will be only about half as good as the performance of the stock market.

I think you can do better than that. A good asset allocator can reduce your risk by just as much—and not forfeit anywhere near as much return.

That's why I'd like to say a good word for bonds—not for your whole portfolio but for a portion. Going beyond that, I'd urge investors to think in terms of a whole range of assets and not succumb to the currently trendy stocks-only gospel.

The table lists 12 investment allocation strategies of the letters followed by *HFD* over the period from Jan. 1, 1987 to Aug. 31, 1995. (Performance information on asset allocators is scanty before 1987, so I don't have a full decade of results. But at least this measurement period includes the 1987 crash.)

Note that over the not quite nine years covered, four of the letters beat a fixed portfolio equally divided among stocks, bonds and Treasury bills.

Some finance academics argue that the benchmark should be what the average investor was doing. I use the consensus of all asset allocation letters as a proxy for this average investor. An impressive two-thirds of the letters beat this average investor.

Would a simple stock index fund have beaten all the asset-allocators? In this period, yes. But this has been an exceptional period for stocks. To be fully invested was to assume a lot of risk—which will not always pay off.

To get a more exact sense of how well an asset allocation letter is doing on a risk-adjusted basis, look at the "Sharpe ratio," named after its inventor, Nobel Prize-winning economist William Sharpe *(see the third column in the table)*. This ratio compares the amount by which a portfolio beats riskless T bills with the portfolio's volatility.

A T bill portfolio has a Sharpe ratio of zero. It assumes no risk; its reward is treated as the baseline for all others. Over the period, the volatility of the stock market was such that its Sharpe ratio was 0.16.

The Sharpe ratio highlights why the real issue is not whether the asset allocation letter outperforms the market in absolute terms. One-half of them were able to earn more per unit of risk than the stock market.

Indeed, the *Peter Dag Portfolio Strategy & Management* was so extraordinarily conservative in its use of risk—it assumes about a fifth of the

Allocations as of Aug. 31			
stocks	bonds	gold	cash
	10.0%	90.0%	
15.0%	15.0%		70.0%
75.0	25.0		
50.0		12.5	37.5
60.0	20.0		20.0
33.3	33.3		33.3
62.5		12.5	25.0
	100.0		
100.0			
75.0			25.0
26.5	14.8	12.4	46.3
43.0			57.0
33.3	33.3	33.3	
25.0	25.0	25.0	25.0
25.0	25.0	25.0	25.0
45.0		30.0	25.0
–33.0[6]	15.0	33.0	85.0[7]
			100.0
–67.0[6]		33.0	134.0[7]
		100.0	

Short position. [7]Includes proceeds of short sale albeit not directly invested by short-seller).

risk of the market—that it jumped to second place, on a Sharpe ratio basis, although in absolute terms it underperformed the stocks/bonds/cash benchmark. Almost all of the asset allocators were able to outperform T bills on this "risk-adjusted" basis.

Also highlighted by the Sharpe ratios: All my top asset allocators did better than a portfolio divided between stocks and cash alone. Every letter with a Sharpe ratio exceeding that of the stock market has done better than a stock/cash combination. In other words, it pays to think about all asset categories.

Risk-adjusted performance is no mere theoretical issue. To see why, look at the chart below. It tracks the asset allocation performance of *InvesTech Mutual Fund Advisor*. Its performance smooths out that of the stock market. It lags the market in rallies (like now). But it also appears more or less impervious to declines.

As a result, *InvesTech* has been ahead of the market for significant periods—not merely after the 1987 crash but also very quickly during the brief 1990-91 decline.

What do the top-performing asset allocators say now? They're more heavily weighted in stocks and bonds than are their poorer-performing brethren—and they are less heavily committed to gold and cash. That's not surprising: This has been a decade of mostly bull markets in stocks.

In thinking about asset allocation, here's some more advice: Think international. *Moneyletter*'s portfolio is 75% invested in stocks, but more than half of that exposure is international. Some asset allocators frequently use international stocks. This is not reflected in our calculations here, although it does tend to improve their performance because international and U.S. stocks rarely move together. Thus international stocks can provide a nice anchor against a big decline in U.S. stocks.

None of the asset allocation letters currently recommends real estate, but it's a safe bet that most of their readers have a big commitment here already by dint of owning a home.

And don't let them tell you that only weaklings hold cash. At several points it has been a surprisingly strong competitor. Thus the T bill return virtually equaled the stock and bond markets over the four-year period December 1986 to October 1990. In a real bear market, cash, in a sense, appreciates rapidly—at least in terms of the common stocks it can buy. When the bank stocks collapsed in 1990, $10,000 in cash would have bought three times as many shares of Citicorp as it would have bought a few years earlier.

Remember this: Of all the potential assets available to the ordinary person, stocks are perhaps the most volatile, changing in value every minute and (considered individually) swinging on average by 50% or more every year. Your real estate doesn't fluctuate that wildly. Not even gold does.

So leave to the George Soroses of this world the big plunges in a single asset or asset class. The wise investor will hedge his or her bets with diversification of assets. If this sounds hopelessly old-fashioned, I'm willing to bet it won't sound so old-fashioned five or so years from now. ■

*Consensus of asset allocators monitored by Hulbert Financial Digest (26% stocks, 15% bonds, 46% Treasury bills, 12% gold)

Though InvesTech didn't outperform the stock market, it sidestepped the 1987 crash and 1990 correction—and far outperformed the typical investor's asset allocation.

Penny-pinchers

Hedge fund operators Alfred Kingsley and Gary Duberstein rarely make headlines, but they managed to nudge at least two companies into selling out.

By Riva Atlas

WHEN ALFRED KINGSLEY decided to launch a shareholder resolution to break up U.S. Shoe Corp. last year, he and partner Gary Duberstein took out their scissors and glue. Not for them the hiring of high-priced proxy solicitors and flackeries. The partners designed their own packet of materials to be distributed to investors for U.S. Shoe's annual meeting in May.

Frugal is the word for Duberstein and Kingsley's Greenway Partners, the $300 million hedge fund they launched in 1993. They are the only full-time employees in a small suite of offices in New York, with no secretary or receptionist.

Frugal, too, are their charges. Most hedge fund managers charge, besides a 20% share of profits, a flat annual fee of 1% to 2% of assets. Kingsley and Duberstein just calculate their expenses at the end of each year and prorate them among their investors. In 1994 they added up to nearly $200,000, so the investors were charged 10 cents on every $100 invested—one-tenth what their competitors charge.

Of course if Greenway has a winning year, Duberstein and Kingsley get the usual 20% of the profits—if they have a winning year. Last year they did have a winning year—very winning. The fund was up 43%, enabling Duberstein and Kingsley to collect a share of the winnings well into seven figures. This year so far Greenway is up 41% before fees.

Kingsley, 52, was Carl Icahn's analyst and right-hand man for 28 years. He hunted down many of the companies that Icahn greenmailed or acquired in the 1980s. Duberstein, 40, spent eight years as Icahn's general counsel.

When Icahn began to assume a lower investment profile in 1993, Kingsley and Duberstein went out on their own. Just as he did at Icahn & Co., Kingsley looks for companies earning too little in comparison to the capital they tie up—in short, those companies that might benefit from a shakeup.

Kingsley used to manage $3 billion for Icahn. With that kind of money he could make managements quake in their boots. He doesn't have that kind of clout now, but he doesn't need it, thanks to new proxy regulations passed by the Securities & Exchange Commission in 1992. Previously, if ten or more shareholders wanted to communicate with each other to discuss launching proposals at an annual meeting, they had to get the SEC's approval. This was time-consuming and expensive.

The new proxy rules allow stockholders to simply get on the phone with each other or to use the U.S. mails. No need for SEC approval. When Kingsley sponsored his shareholder resolution at U.S. Shoe, he got a list of investors and then faxed each one a letter describing his proposal. After he was done he sent a copy of the letter to the SEC for its records.

Kingsley's proposal would have split U.S. Shoe's three retailing businesses—footwear, eyeglasses and women's clothing—into separate companies. "It was simply a case of the parts being worth more than the whole," Kingsley says. When it launched its resolution, Greenway owned 4.9% of U.S. Shoe's stock, acquired at an average price of 10.

Gary Duberstein and Alfred Kingsley
Speak softly and carry a big proxy.

The resolution got only 25% of the vote at the company's shareholder meeting in May 1994. But Kingsley's campaign got the support of other shareholders, including the $91 billion California Public Employees' Retirement System. It also apparently got the attention of would-be acquirers. When bidders for U.S. Shoe and its divisions surfaced over the next few months, these shareholders put pressure on the company to respond.

A year later, U.S. Shoe accepted a $28-a-share offer from Luxottica Group, an Italian eyeglass manufacturer, leaving Greenway with a $40 million profit on its position.

Greenway's tactics were also successful with $737 million (sales) Perry Drug Stores. In October 1994 Kingsley and Duberstein told the company they planned to file a proxy resolution urging that the company be sold to a larger competitor. Nudged by this warning, even before that proposal was made public, Perry announced it had agreed to be acquired by Rite Aid, at a 44% premium to the stock's price at that time.

"We feel we're doing a service to other institutional investors by bringing these situations to their attention," says Kingsley. It's a symbiotic relationship: Greenway's resolutions have more force once large shareholders such as the California fund get involved.

At whose annual meeting will Greenway surface in 1996? Kingsley won't say, although he expects to announce some targets before the end of the year.

One possibility: tiny Monarch Machine Tool Co. Greenway owns 4.9% of Monarch's 3.7 million shares. Last May, Kingsley supported a resolution by a smaller shareholder "to maximize shareholder value." The resolution got 41% of the vote, and since then, the stock has moved up 30%. Kingsley says he may take an active role with his Monarch investment.

Not all of Greenway's positions are buyout candidates: Some investments turned around without a nudge from the fund. Greenway recently took profits on a large position in IBM, bought in the $40 range just before Louis Gerstner was brought in to run the company. Greenway also sold most of its nearly 5% stake in Comp USA in the mid-20s. That's triple the price at which the fund invested in the computer retailer.

Among the more recent passive investments is General Motors. Although the automaker's stock is up 15% from where Greenway bought in earlier this year, its performance still lags that of Chrysler or Ford. GM is trading at 6.5 times estimated 1995 earnings, against 9.2 for Chrysler.

Another passive pick is Interstate Bakeries, which tripled in size when it merged with Continental Bakeries in July. The stock is up 50% so far this year, but Kingsley is aiming for at least 25% more. ■

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Recovery room

Global Health Sciences Fund is up a healthy 48% this year, yet this closed-end trades at a 21% discount. Looks like a buy to us.

By Mary Beth Grover

BARRY KUROKAWA'S career at Invesco Funds Group, the Denver fund manager, got off to a rocky start in 1992. First, the health care stocks he was hired to follow crashed and stayed down for two grim years. Then, in January 1994, Kurokawa's boss, John Kaweske, was fired for making unauthorized trades in his personal account.

As it turned out, Kurokawa stepped into Kaweske's shoes as manager of the Global Health Sciences Fund at just the right time. Health care stocks were close to the bottom in January 1994 as Kurokawa took over.

Photographs by Ray Ng

Fund men Barry Kurokawa (right); John Kaweske (above)
Kaweske fades, Kurokawa blooms.

Since then, the fund has returned 51% on a net asset value basis. Even so, the $379 million closed-end trades on the New York Stock Exchange for 21% less than the value of its portfolio. That mix of performance and market discount (along with its 1.36% in annual expenses) landed Global Health Sciences on the FORBES list of Best Buys in closed-end funds *(Sept. 11)*.

Despite the "global" in the fund's name, Kurokawa, now 39, has just 8% of assets in non-U.S. companies. He prefers right now to troll the risky waters of fast-growing small companies in domestic health care. His fund's typical stock trades at 27 times earnings, versus 17 for the market as a whole. Typical market value of his companies: just $722 million.

Kurokawa is not afraid to shift suddenly, his average holding period being a comparatively brief ten months or so. "I guess I can't be accused of being inflexible," quips Kurokawa. An example of his flexibility: Last February Kurokawa halved the 8% stake in health maintenance organizations that he had amassed during the last days of the panic over health care reform last year. Noting that hospital admissions and surgeries had roughly doubled over the previous six months, he dumped HMOs and doubled his stake in medical suppliers to 40% of assets. "Doctors practiced conservatively as health care reform loomed in 1992 and 1993," he says. "Now they're back to practicing medicine like they used to."

With all those elective surgeries for hernias and gall bladders being scheduled, sales of medical equipment and supplies should be up 8% this year. One beneficiary: Tecnol Medical Products, the top seller of disposable face masks in the U.S. (1994 revenues, $121 million). Kurokawa bought after the stock got hammered this July as Baxter International, Tecnol's main customer, cut back its orders. "Baxter is simply trying to enhance cash flow by increasing inventory turns," explains Kurokawa. "In 12 months the inventory problems of 1995 will be long forgotten." Kurokawa expects Tecnol's earnings to rise 30% next year; the stock trades at 19 times his earnings estimate.

Kurokawa is worried about expiring patents and competition from generics, so he holds just two big U.S. drugmakers, Merck & Co. and American Home Products. He also holds generics maker Mylan Laboratories (FORBES, *Aug. 14*) and niche player Forest Laboratories, a producer of painkillers and asthma drugs (1994 revenues, $389 million).

Forest trades at 20 times Kurokawa's $2.42 estimate of calendar 1996 earnings. But he thinks Forest's new products, including a heart drug and an estrogen patch, pushed by its expanded sales force, will drive earnings up 40% in 1997.

Kurokawa also likes Matrix Pharmaceuticals, a moneylosing outfit that recently purchased the right to sell AccuSite, an injectable treatment for genital warts and skin cancer. He thinks Matrix will turn profitable by 1997; by 1998, he reckons, the stock could go to 50 from its current 14.

Global Health Sciences has a high 16% of assets invested in illiquid private companies. That's an area where Kurokawa's predecessor Kaweske got in hot water. The fund's third-largest biotech holding is a $6 million stake in ID Biomedical, a Vancouver-based company that is developing a tuberculosis vaccine. The SEC claims Kaweske had not informed Invesco he sat on the board of ID Biomedical (Kaweske denies this), when he sank $1.3 million of the fund's money in an equity private placement by an ID Biomedical subsidiary. Curiously, the fund has done well with its investment, which has more than quadrupled.

If closed-end funds are not your cup of tea, Kurokawa also comanages a no-load open-end variation of Global Health Sciences, Invesco Strategic Health Sciences Portfolio (expense ratio 1.2%). But why pay full price for the mutual when you get the closed end at a nice discount?

Location, location and diversification

You won't get rich buying REIT funds, but they offer worthwhile diversification.

By David S. Fondiller

COMMERCIAL REAL ESTATE still looks pretty cheap. In the 12 months ended Aug. 31, an index of 220 real estate investment trusts compiled by the National Association of REITs returned a meager 8%, paling next to the 21% total return in the S&P 500. With prices low and the industry rebounding, now may be an auspicious time to add commercial real estate to your portfolio. With little new construction under way, vacancy rates should continue to fall, driving up rents further and, as a result, fattening dividends. Could be a good time to invest in real estate investment trusts.

In an earlier issue (FORBES, *Aug. 14)* we surveyed REITs, which buy and manage a pool of real estate mortgages, or properties ranging from shopping malls and apartment complexes to storage warehouses and mobile home parks. Here we take a look at funds that own REITs and similar real estate stocks.

The main disadvantage to the fund of REITs is the second layer of fees. That is, the REITs themselves run up overhead collecting the rent, and now the fund that owns REIT stocks wants another 1% or so of your assets per year for collecting dividends. The main advantage to the fund is that with it you can get much broader diversification—across the country and across types of real estate—than you could with a single REIT.

Both REIT funds and REITs tend to combine fairly high yields with subpar appreciation. That's not surprising: Tax laws compel both the REIT and the fund that holds it to pass along almost all income to shareholders. Thus REITs can't build up retained earnings the way Microsoft can.

But the reasons for investing in real estate seem as valid as ever. Diversification is the biggest: Real estate does not move in sync with stocks. It has some bondlike flavor, being sensitive to interest rate rises, but it doesn't move in sync with bonds, either. Commercial real estate can also be a long-term inflation hedge, since landlords can raise rents when demand for space matches or exceeds supply.

For people nervous about having too much money in stocks *(see p. 334)*, REITs offer useful diversification. Says Dean Sotter, comanager of the Heitman Real Estate Fund in Chicago: "If you can get a nice dividend that's competitive with Treasurys, and then have some upside over the long term without the volatility you'd have in the rest of the market, that's a very attractive investment."

If you want to own a fund of REITs, here are things to consider:

One is past performance, measured by total return—income plus appreciation. Compare your fund not to the stock market (it will probably look weak) but to other real estate funds.

Next, pay attention to costs of ownership. Avoid sales loads. Avoid paying much more than 1.2% a year in fund operating expenses.

Third, consider the tax consequences. REIT stocks now yield 7% to 8% on average, REIT funds somewhat less. High yields are a negative if you are in a high tax bracket. But there are ways to mitigate the pain.

One way is to hold your real estate fund in a tax-protected account such as an IRA, leaving the Microsoft for your taxable brokerage account. This division of labor will make especially good sense if Congress cuts the tax rate on capital gains.

The other way to protect yourself is to get a fund that has at least some of its dividend in the form of what the Internal Revenue Service calls a "return of capital." That means it's paying out more in distributions than what the underlying REITs show as earnings on their tax books.

The portion of your distribution marked return of capital is not taxed as income; rather, it reduces the fund's tax basis in the REIT shares it owns. The effect of all this is to convert some of your current return into a capital gain that is taxed, you hope, years later—and then at reduced rates. ■

The REIT stuff

Fund	12-month return	Yield	Expense ratio
CGM Trust–Realty	10.7%	5.5%	1.0%
Cohen & Steers Realty	7.3	5.1	1.1
Columbia Real Estate Equity	6.6	6.1	1.1
Crabbe Huson Real Estate	2.1	3.2	1.0
DFA Real Estate Securities	2.5	3.9	0.9
Fidelity Real Estate	5.7	5.4	1.0
Lipper Real Estate Fund Average	4.7	3.8	1.3

Source: Lipper Analytical Services.

These no-load, low-expense funds focus on real estate investment trusts.

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ALLTEL CORPORATION

BY ERIC S. HARDY

The stock market's performance through the third quarter was nothing short of spectacular. The Dow industrials—which account for 14% of the market's $6.7 trillion capitalization—are holding a nine-month gain of 25%.

Will the party continue? "There will probably be some big disappointments when third-quarter earnings start coming in," warns market strategist William LeFevre at Ehrenkrantz King Nussbaum, a New York-based investment management firm. But LeFevre (who recommended AT&T in this section a few months ago—it's up 25% since July 3) doesn't see much risk in Philip Morris, thanks to its 4.8% dividend yield. He also recommends chewing gum maker Wm. Wrigley Jr.: "It has consistently outperformed the averages in both bull and bear markets."

Special focus

Institutional investors can't seem to get enough of the seven stocks below. Mutual funds, pension plans and other institutions own more than 90% of the outstanding shares of these companies. The stocks could turn out to be liabilities during a market correction. Note that the cheapest stock in the group sells for 25 times estimated 1995 profits.

Love can hurt

Company	Recent price	1995 est P/E
AnnTaylor Stores	17 5/8	35
Ceridian	44 3/8	25
CUC International	34 7/8	41
Idexx Laboratories	37 1/4	61
Omnicare	39	45
Oxford Health Plans	72 3/4	50
SoftKey International	44 1/4	32

Source: Market Guide, IBES Inc. via OneSource Information Services

The overall markets

Closeup on the markets

Index or investment	2-week change	% change from 1 year ago	% change from 5-year high
Barra All-US index	–0.2%	22.9%	–0.7%
S&P/Barra Growth index[1]	1.1	31.4	–0.5
S&P/Barra Value index[2]	–0.6	27.5	–0.6
Dow Jones industrials	–0.2	24.6	–0.3
S&P 500	0.2	26.3	–0.4
NYSE	0.1	22.6	–0.3
Nasdaq	–0.7	36.5	–2.2
Amex	–1.1	18.7	–1.6
EAFE[3]	1.4	4.1	–2.3
CRB futures index[4,5]	–0.3	5.2	–1.7
Gold[5] (Comex spot)	–0.5	–2.6	–6.4
Yen[5] (per $US)	–4.2	0.6	–29.5
Oil[5] (W Texas Intermediate)	–7.4	–4.7	–57.4

The best and worst performing stocks

Best	Price	2-week change	1995 EPS[6]	Worst	Price	2-week change	1995 EPS[6]
Brooke Group	8 5/8	64%	NA	Norand	18 3/8	–53%	$1.28*
Molten Metal Technology	32 3/8	38	$0.07	Easco	7 1/2	–39	1.03
InControl	14	37	–1.80	Retirement Care Assoc	10 5/8	–37	0.63
Mycogen	13 3/4	36	–0.04	Hollywood Entertainment	21 1/2	–34	0.54
SCOR US	15 1/2	33	0.90	Wickes Lumber	9 3/4	–31	1.33

The best and worst performing industry factors[7]

Best	2-week change	Since 12/31/94	Worst	2-week change	Since 12/31/94
Tobacco	9.1%	38.8%	Containers	–9.0%	16.9%
Water transport	8.5	16.0	Photographic, optical	–7.1	27.2
Electric utilities	6.8	22.6	Oilfield services	–6.6	34.5
Pharmaceuticals	4.1	40.1	Trucking	–5.5	–8.5
Health care	3.9	31.3	Aluminum	–4.5	22.1

Note: Data for period ending 9/29/95. The Barra All-US price index consists of all publicly traded common U.S. stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [1] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above-average earnings growth. [2] Total return of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more than 1,100 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Source: Knight-Ridder Financial Publishing. [6] Estimate. Source: IBES Inc. [7] Shows return to the industry factor after controlling for other influences, including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. *1996 estimate. NA: Not available. Principal source: Barra, Inc., Berkeley, Calif.

The biggest new issues[1]

Company/business	Exchange	Offer date	Offer price	9/29/95 price	Offering ($mil)	Lead underwriter	Performance to date absolute	Performance to date rel to mkt[2]
PanAmSat/satellite communications	o	9/21/95	17	15¼	$322	Morgan Stanley	–10%	89
Oakley/sport sunglasses & goggles	n	8/9/95	23	29⅝	230	Merrill Lynch	29	123
Arcadian/nitrogen fertilizer	n	8/3/95	15½	20⅜	210	Smith Barney	31	126
Risk Capital Holdings/property & casualty insurance	o	9/13/95	20	21¾	170	Smith Barney	9	108
Netscape Communications/Internet software	o	8/8/95	28	62½	140	Morgan Stanley	123	214
Checkfree/banking software & services	o	9/27/95	18	20	117	Lehman Brothers	11	110
Personnel Group of America/temporary help services	n	9/25/95	14	14	112	PaineWebber	0	100
Pediatrix Medical Group/physician mgmt services	o	9/20/95	20	20½	88	Dean Witter Reynolds	2	103
Midwest Express Holdings/airline	n	9/21/95	18	22½	81	Salomon Brothers	25	125
Premenos Technology/software; E-mail services	o	9/20/95	18	32½	77	Volpe Welty	81	181

Performance update

BY ROBERT J. SHERWOOD

Internet-related companies came to market at outrageous multiples in the third quarter. "There is a madness going on," warns Manish Shah, editor and publisher of the *IPO Maven* newsletter.

While the offering for Netscape Communications—which gave the startup firm a $2.2 billion capitalization on Aug. 9, its first closing day—got the big headlines, it wasn't the only computer-related IPO trading on fantasy. For example, Premenos, which develops E-mail software, went public at eight times projected 1995 sales. Premenos finished the third quarter with a market value of $322 million.

Thanks to a hot market and Internet fever, 43% of all IPOs that came to market were priced above their initial filing range. A total of $4.4 billion in new equity capital was raised in the quarter, compared with $3 billion in the third quarter of 1994.

The outlook for the rest of 1995? Linda Killian, of Greenwich, Conn.-based Renaissance Capital, an institutional research firm, expects a strong finish. Killian notes that over $4 billion in potential equity is now in registration. Among well-known names expected to go public later this year is Estée Lauder.

The best new issues[1]

Company/business	Offer price	Offering ($mil)	Lead underwriter	Performance to date absolute	Performance to date rel to mkt[2]
Desktop Data/on-line wire service	15	$30	Alex Brown & Sons	132%	220
Netscape Communications/Internet software	28	140	Morgan Stanley	123	214
Imnet Systems/document mgmt software	12	36	Volpe Welty	115	203
Pure Software/software & services	17	47	Morgan Stanley	110	201
Triathlon Broadcasting/radio stations	5½	13	Americorp Secs	105	200

The worst new issues[1]

Company/business	Offer price	Offering ($mil)	Lead underwriter	Performance to date absolute	Performance to date rel to mkt[2]
Tarrant Apparel Group/women's clothing	9	$18	Prudential Secs	–25%	71
KeraVision/eye care & medical equipment	13½	49	Goldman Sachs	–19	78
Smith Micro Software/software	12	41	Hambrecht & Quist	–18	82
Kushi Macrobiotics/natural foods & produce	5	6	Comprehensive Cap	–15	81
Orion Network Sys/satellite communications	14	56	Salomon Brothers	–14	82

The most active investment bankers[3]

Underwriter	Total offerings	Total raised ($mil)
Smith Barney	22	$1,226
Morgan Stanley	15	1,208
DLJ	17	1,041
Goldman Sachs	16	774
Alex Brown & Sons	21	773

Industries going public[3]

Industry	Total offerings	Total raised ($mil)
Manufacturing	121	$4,514
Services	91	2,998
Broadcasting & telecomm	14	1,057
Restaurants & hotels	11	730
Retailing	14	572

Note: This report covers initial public offerings of common equities with offering dates of 7/1/95 to 9/29/95, offering price of $2.50 or more and offering value of $5 million or more. Closed-end funds, limited partnerships and ADRs (American Depositary Receipts) of corporations already traded in foreign countries are excluded, as are REITs and spinoffs. [1]Last quarter. [2]The ending value of $100 invested in the stock, divided by the ending value of $1 invested in the market. [3]Latest 12 months. Source: Securities Data Co.

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Deconstruction

THE BUYOUT of Walter Industries is one of the bigger stains on Kohlberg Kravis Roberts & Co.'s record. KKR acquired Walter in 1987; two years later, the Tampa, Fla.-based conglomerate landed in bankruptcy. When Walter emerged from Chapter 11 last March, KKR was left with just 12% of the stock.

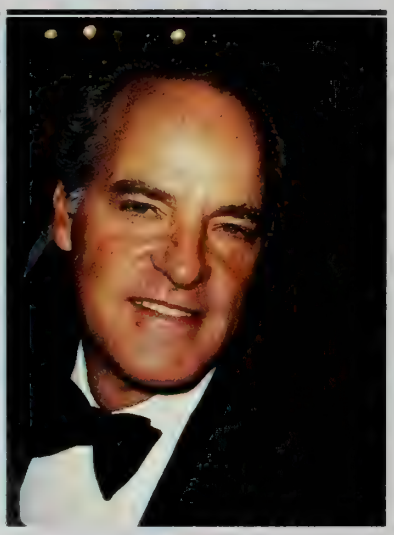
But KKR hasn't given up on the company. Neither have other big shareholders, who include Lehman Brothers with a 16% stake and Leon Black's Apollo Advisors with just under 5%.

In July, KKR announced it had bought another 8% of Walter. The buying pushed Walter's over-the-counter stock to a high of 16.

Walter's shares have since drifted to 12⅝. Get some, recommends Lawrence Krule, an analyst at MJ Whitman, Inc., a brokerage specializing in distressed securities. He thinks KKR will push the $1.4 billion (fiscal 1995 sales) company to divest some divisions, boosting the stock price near 20.

Walter's largest division is a home building operation, which accounts for 56% of its operating income. Walter's other businesses include a company that makes iron pipe for water mains, a coal mining operation and a division that makes building supplies like window components and aluminum.

Krule values Walter's home building business at 6.5 times operating income (earnings before depreciation, interest and taxes plus depreciation and amortization). That multiple is at the the low end of the range for publicly traded home builders. Apply it to $209 million of operating income for the fiscal year ended in May of this year, subtract $490 million in postbankruptcy debt, and you get $17 per common share. But the coal and pipe divisions could bring in another $2 a share, says Krule. That adds up to a premium of roughly 50% over the current price.



Gerardo Somoza/Outline

Henry Kravis of KKR
What does he see in Walter?

Subscribers today, costs mañana

IN A DEADLY YEAR for short-sellers, one of the bears' worst nightmares has been the persistent rise of America Online's shares. The stock tripled to 74½ this summer and was recently 65⅞.

The bulls have blithely ignored criticisms of the company's accounting methods, which have inflated earnings (FORBES, *Oct. 24, 1994*). Now, just in time for a 3.5-million-share offering by the company, America Online has decided to keep its books even more aggressively.

America Online's technique is to amortize most of the costs of signing up a new customer rather than expense them. Now the company is stretching the amortization over 24 months rather than 12 to 18 months.

In a recent conference call with analysts, America Online pitched the change as a positive development. Indeed, there's no harm done so long as the number of loyal subscribers continues to climb.

But watch out if competition from Microsoft and others accelerate the turnover on America Online's subscriber list. What happens if new subscribers last, on average, less than 24 months? Then America Online would have to write down the paper asset it calls "deferred subscriber acquisition costs." That item appeared on the last published balance sheet as $77 million, a big number in comparison to the company's $17 million in net income for the fiscal year ended June 30, excluding a one time acquisition charge.

–GARY SAMUELS

Nordstrom's growing pains

RETAILING chain Nordstrom's profits dropped 15% in the second quarter ended July 31, to 65 cents a share. The stock is off 17% from its high of the last 12 months, to a recent 41½.

But look at why earnings have been weak and you will discern a bargain, says Jennifer Black Groves, an analyst at Black & Co., a Portland, Ore. brokerage.

Revenues at this 78-store outfit climbed only 6.5%, to $1.1 billion, in the quarter, while expenses rose 12%, to $300 million. But the outlays represent money well invested on inventory controls, a new catalog and an in-house credit card, says Groves.

Unlike Federated Department Stores, whose 358 stores blanket the country, Nordstrom continues to expand. The company will have opened five stores this year and will do so without straining its debt/equity ratio of 26%.

A discounted utility

NOT MANY GROWTH STOCKS trade at a discount to liquidating value. But Terry Hogan, comanager of the $2.3 billion Acorn Fund, thinks he's found one. At a recent 8¾, debt-free AES China Generating Co., Ltd. is trading 20% below the cash on its books.

AES China, based in Hong Kong, will invest that money by developing

Steven Ramos

power plants throughout China. Its Nasdaq shares have fallen 45% since being offered by parent AES Corp., an Arlington, Va.-based power generation company, in February 1994.

Acorn and a sister fund have accumulated a 5.6% stake in AES China at an average cost of about $10 a share, not quite breaking even so far. Hogan is optimistic. China is expected to add 20 gigawatts of power a year through the year 2000, a third of the new capacity to be added worldwide. That means the Chinese government will have to bring in foreign developers.

If AES China is permitted to earn at least 15% on its equity in new power plants, the stock should get to 12½ within the next year. Downside: China, hungry as it is for capital, may keep finding new ways to stiff the capitalists who supply it.

Rebuilding Mexico

FOLLOWING LAST YEAR'S peso devaluation, Mexican construction stock prices crumbled, as prospects for civil engineering projects dwindled. In peso terms the sector is off 30% in 1995.

One exception: $2.1 billion (sales) Empresas ICA, whose New York Stock Exchange-traded depositary receipts have rebounded to a recent 10½ from its March low of 3⅞. There's room for more gains, according to Sarah Lavers, director of research for London-based LatInvest Securities Ltd.

ICA was awarded its first port concession, in Veracruz, in July. It plans to bid for a concession to operate Mexican railways. ICA's joint venture with Fluor Daniel was just awarded a $180 million contract to build and install a 5,300-kilometer fiber-optic network. This past August ICA won a contract to extract coal in Colombia.

ICA, Mexico's largest construction company, is trading at what is already a lofty multiple—29 times earnings expected for 1995. But earnings should shoot up 36% in the year after that. More important, a healthy cash balance means ICA can survive even in lean times.

—KERRY A. DOLAN

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VIEWPOINT

Commerzbank's focus on German and European economic issues

Will private consumption curb German growth for long?

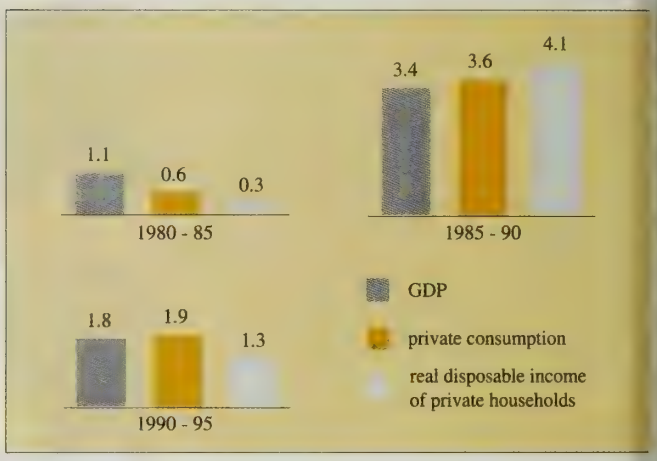
Economic growth was almost as disappointing in the first half of the 1990's as in the first half of the 1980's: western Germany's real GDP expanded by a meagre 1.8% on average between 1990 and 1995, the second-lowest rate in the past forty-five years. In the second half of the eighties, however, the growth rate trebled. All in all, therefore, the record for the decade as a whole was not too bad. Is a similar development likely to happen again?

UNFORTUNATELY, the answer is probably no, one important difference between then and now being private consumption, which reflects the income situation of households. While real private consumption grew at the same rate as GDP in the first half of the nineties, real disposable income lagged behind by half a percentage point per year. And the largest component of household income, wages and salaries after direct taxes and social-security contributions, did not even keep pace with inflation; on average, they are 4% lower in real terms in 1995 than they were five years ago.

THE POOR PERFORMANCE of earned income mainly reflects two developments: a marked decline in employment during the first half of the nineties and an unprecedented rise in the burden of taxes and social-security contributions. Every year between 1990 and 1995, there was a gap of almost 1½ percentage points between gross and net income growth for the typical salaried employee. In addition, private households' purchasing power was further eroded by rises in administered prices.

Patterns of growth and private consumption

Western Germany, at constant prices, average annual growth rates



WHAT DOES the future hold in store? Regrettably, the government shows no great inclination to cut its revenues as a share of GDP. A reduction by no more than 1 percentage point or so is planned by 1998, yet perhaps not even this modest decline will materialize. While a further rise in social-security contributions next year will be more than offset by a cut in income taxes, and the solidarity surcharge on income taxes may be halved in the run-up to the 1998 election, 1997 could well bring another increase in indirect taxes.

ON THE EMPLOYMENT front, 1995's high wage increases and the deterioration in the price competitiveness of German producers due to the appreciation of the D-mark do not support the view that the second half of the nineties will see a repetition of what happened a decade earlier, when 2 million jobs were created in (western) Germany. What is more, it can no longer be taken for granted that the service sector will contribute significantly to job creation. Projections show that if wages continued to rise at this year's rate, employment would expand by no more than 0.5% per year up to the end of the decade. Late 1980's-style job creation would only be possible with wage restraint of the kind which prevailed in 1994.

BUT NEW JOBS are essential if private consumption is to achieve solid growth again. A boost in employment would significantly ease the strains on the social security system and thus contribute to the much-needed reduction in non-wage costs. While wage discipline and fiscal policy may leave much to be desired at present, a return to late-1980's growth rates is still feasible.

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Countdown to a top

BY KENNETH L. FISHER

Kenneth L. Fisher is a Woodside, Calif.-based money manager. His third book is *100 Minds that Made the Market.*

FOLKS ASK ME how long this bull market will run. What they really want to know is whether the upside is worth the risk of getting trapped at the top. In short, is it too late to play?

I'm flattered people ask, but I don't really know when this bull market will die. My best thinking is: It shouldn't end before about March, and may well run strong through the elections and year-end. How much further can it go up? Anywhere from 10% to 35%—maybe to the 650-to-750 range on the S&P 500. After that? A bear market of normal size—down 20% to 30% over roughly 14 months, with the worst damage done on the growth stock side of the market.

How will we know when the end is nigh? Bear markets come in different ways. There are a bunch of possible risks, some of which must evolve before a bull market ends. In March the presidential campaign could turn ugly and the market may discount that unpleasantness. Also in March, Clinton must reappoint Alan Greenspan as head of the Fed or offer up a substitute. Either way you get uncertainty. If Greenspan goes, what kind of person will succeed him? Someone new, and new at this function, often scares stocks. If he stays, that could mean trouble, too.

Greenspan wants Clinton to reappoint him, so the Fed chief won't tighten money much until after March, and until then the bull market will live. But then, if reappointed, I think his fangs may fast appear. He likes to bite.

And by late 1996 this economic expansion should get old and tired, and may fatigue itself into a rollover. Enough prosperity long enough, and folks finally want to play more than they want to work. As I have long said, there is less inflation than people think. So, with absolutely no pricing cushion, a recession can ravage corporate earnings. As always, the stock market will discount any such event.

So, sometime next year there's good odds the bull market will end, maybe in March, maybe much later. I have no reason to expect worse than a normal bear market. Why do I say it will hit growth stocks hard? Because bear markets rarely repeat stylistically. In 1990 value stocks were ravaged, but not growth stocks. With the money now heavily into growth stocks, time is ripe for this next bear market to change leadership and trap the new growth stock money. I see the recent toppy action of leading growth stocks as a further forewarning.

Here are some potential winners for what is left of this great bull market:

RJR Nabisco (32) has been a doggy stock for years, but it should be the "big easy" in 1996. Great brand names. You just can't get any better, coupled with great earnings in 1996, and now a not-so-bad debt load. For years RJR's progress slipped straight into paying down debt rather than pushing the stock. In 1989 it had $22 billion of debt and only $1.2 billion of equity. Now that it has more equity than debt, progress in 1996 should go straight to the stock. At 100% of book value, 65% of annual sales and a P/E of 16, I hope to see a price of 50 next year, with below-average risk.

The banks are hot. Some, too hot. I recommended *Chase Manhattan* (61) on Feb. 13 at 33. With the Chemical merger out and about, I would sell on the good news and run to the bank—another one—like *Boatmen's Bancshares* (37, o-t-c), which I recommended in that same issue at 29. While Boatmen's is up, I think it's worth fully 50. Also in that issue was *Bankers Trust* (70) at 57. I told you to expect 85. I still expect that, and while you wait, you get a 5.5% dividend yield.

Some folks question my morals in recommending tobacco stocks. A good friend accuses

No, bull markets don't last forever, but this one has 6 to 12 months' life left in it.

of being soft on leftism because I now like the *New York Times Co.* (27). I am not fond of the paper's political biases, but lots of people are crazy about them. The *Times* has a faithful market. *Times* addicts and nicotine addicts. As long as these people exist, they will buy their beloved products. The company has a great franchise. Selling below where it was three, five or nine years ago, this former glamour stock is at a P/E of 12 and 1.7 times book value. I think it's worth fully 45.

While the stock is up since I first recommended it at 45 on Feb. 13, *Paccar* (47) has been a laggard. But I still think its price can be as big as its trucks, and that is big. At 8 times earnings, 40% of sales and 1.5 times book value, I have revised my goal to 65. ■

The great mutual fund myth

BY LASZLO BIRINYI JR.

Laszlo Birinyi Jr. is president of Birinyi Associates, a Greenwich, Conn.-based financial consulting firm.

AT THE END of last year, I went on record with the view that the stock market would trade as high as 4800, with a low of 3800, and would close substantially below the high. Since the market has closed above my target, it's time to raise my sights. My new view is that we will approach 5000. This gain, however, will likely come from a different set of names than those that prevailed in the first nine months.

The stock market, it often has been said, is a continual battle between the bulls and the bears. Obviously this has been a year when the bulls prevailed. But if there is any common ground on which they both agree it is that the market's rise has been a function of individual investors' buying mutual funds for their pension, retirement or personal plans. Having agreed on this, the bulls and bears part company, the bears persuaded that this mass public buying is a typical market top, the bulls persuaded that the buying will continue.

Somewhat belatedly, I admit, I sat down and started to take the numbers apart and to put some other pieces into what should have been a simple, cut-and-dried puzzle. I first found that more money went into stock mutual funds in the first six months of last year than in the first six months of this year. Specifically, in the first six months of last year, there was a net inflow into stock funds of $69.9 billion; this year the corresponding total was $46.1 billion, a 34% decline.

So much for the myth that the stock market runs on mutual fund fuel. In the 1994 period, when mutual fund money was gushing in, the market was off 3.4%. This year, with a substantially lesser inflow from mutual funds, it was up 18.7%.

I then found that IRA and Keogh assets account for approximately 25% of all equity mutual funds. This has been the case for the last five years—no substantial change here. Whence then comes the money that has kept this bull alive and snorting? Much of it came, apparently, from investors' cash reserves. The reduction in CDs from 1990 to the present is $388 billion. Guess how much has gone into mutual funds—$376 billion. As Keynes would have put it, investors simply reduced their liquidity preferences. They were rational to do so, as events have shown.

This all paints a positive picture for the future. It first indicates that investors have not been as irrational as many reports have contended. Individuals have not taken out second mortgages, borrowed against their credit cards or otherwise overextended themselves to buy stocks. When and if they do, I will be alarmed. I see no such cause for alarm now.

If individuals haven't provided it, where has the fuel come from? This year's excess cash mostly comes from mergers, buybacks and other corporate activities, which, through Aug. 30, totaled $310 billion. The psychological boost that quick bucks provide investors is very reminiscent of the 1980s. After that decade one researcher contended that less than 50% of its gain was fundamental, while the balance was a result of the positive mood created by deals and buyouts.

My analysis of these numbers taught me that I really had underestimated the potential of this market. But to this, my natural skepticism

There are few signs of excess in this market, but that is no reason to get carried away. Stay with quality.

added: Be careful. Don't get carried away at this stage of the bull market, and above all don't assume that the future leaders will be the same technology stocks that led the market this spring and summer.

I would stay with the solid companies in the technology arena, which include *Texas Instruments* (79), *Compaq* (47) and *Intel* (60). But I would be careful of technology in general: Smaller companies that have ridden the coattails of their larger cousins should be pruned if not eliminated. Specifically, any stock that has doubled and has a P/E in excess of 50 should be history or at least reduced.

I would stay with large, quality issues, including the Bell regionals, which I first mentioned in mid-July. I would also keep the consumer names of late August—*Gap* (36), *Heinz* (46), *Kellogg* (74) and *PepsiCo* (52). If you are the adventuresome sort and must have a few new ideas, the airlines have slowed recently, and I consider both *American* (69) and *Delta* (69) good near-term trades. ■

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Babble of the budget

BY STEVE H. HANKE

Steve H. Hanke is a professor of Applied Economics at The Johns Hopkins University in Baltimore.

THE BABBLE OF THE BUDGET has even occasionally diverted the media from the O.J. Simpson trial. I hate to be a party-spoiler, but I cannot, as so many others are doing, put a hopeful spin on prospects for bringing federal spending under control.

Let's take a look at the three big-ticket items: Social Security, defense and Medicare. These programs account for about one-half of federal spending. If they aren't cut down to size, there is little chance that the burden of the federal government can be alleviated.

Social Security, with current annual spending of $336 billion, is the largest program in the budget. Its unfunded liabilities amount to 31% of our gross domestic product. Unless changes are made now, the system will blow up (FORBES, *Oct. 9*). The government will have to either break promises to those who retire after about 2010, or substantially raise tax rates on those then working.

Since the New Dealers introduced this chain-letter scheme, it has proven to be a land mine for politicians who wish to cut government spending. Notice that House Speaker Gingrich has chosen to put Social Security off limits for six or seven years. That is not a hopeful sign.

What about the second-largest budget item, defense spending? The cold war is over. We won. For the first time in nearly 60 years the U.S. faces no major military threat to our vital interests. But you wouldn't know it by looking at defense spending. Our total defense spending, adjusted for inflation, is about where it was during the peak of the cold war. And the current U.S. total is about equal to the sum of defense spending by all of the other large nations combined. The House Republicans—remember they are the big budget-cutters—have made a tentative commitment to maintain defense spending at roughly its current level from now through fiscal year 2000.

At least $6 billion of the defense budget is spent on highly questionable nondefense activities, such as a horse roundup in New Mexico and small business development in Hawaii. This spending could be chopped without threatening our national security. In addition, tens of billions could be slashed if the U.S. geared its defenses to post-cold-war realities.

Medicare is an entitlement program that provides government health insurance for Americans who are 65 or older. Annual spending is about $160 billion and growing 3.7 times more rapidly than inflation. Like Social Security, this scheme is in big trouble. Although they have cried wolf before, the trustees of Medicare's Hospital Insurance Trust Fund are again saying that without changes the program will be bankrupt by 2002.

Armed with language concocted by their spin doctors, the new Republican troops have ridden to the rescue. They have offered a plan, absent detailed numbers, that will "save" Medicare. The only problem is that under this plan spending per beneficiary will jump from $4,816 in 1995 to $6,734 in 2002. Budget-cutting? Inside the Beltway, they call this a spending cut. Anywhere else, it's a big increase.

Bad manners aside, the spectacle of budget haggling is disturbing. Politicos on both sides of the aisle have ignored a simple, but important, truth. The real burden of the federal government on the economy is what the government spends, or mandates others to spend, not how it finances that spending.

For all the posturing about budget cuts, neither party shows any real will to tackle the problem that is undermining the economy.

So far as I can see, nothing Congress is doing promises to even hold the growth in spending to the inflation rate, let alone reduce it in real terms. In other words, we are not tackling the cause of our anemic growth and the long decline in the external value of the greenback. Incidentally, even the dollar's recent rise against the yen seems to have stalled out. As of now I am long the S&P 500, but I won't be for much longer. This country seems to lack the will to tackle its underlying problem. ■

A trust for Emily

BY SHELBY WHITE

Shelby White is a New York-based financial writer. She is the author of *What Every Woman Should Know About Her Husband's Money.*

MY NIECE EMILY may or may not be Harvard material, but just in case, I want to be sure her parents have the money to send her. Since they are both schoolteachers, they will need some help from me. Emily is 3, which gives me a little time to get started.

At first I thought I would give her money under the Uniform Gifts to Minors Act. This is an inexpensive, no-sweat way to put money in trust for a minor. But there's a catch: A Uniform Gifts to Minors trust ends when the beneficiary is 18 or, in some states, 21. In 2010 Emily's thoughts might be of other things than books—and I mean the money to be for education. What other options?

My lawyer suggested an irrevocable trust with Crummey powers. Technically, this trust is established under Section 2514(e) of the IRS code of 1986. You create a trust and fund it. I can put $10,000 a year into a Crummey trust for Emily without incurring any gift tax. If my husband wants to join me, we can make it $20,000.

What's the best way to start an education fund for a three-year-old? I advise stocks and a Crummey trust.

The only catch is, the beneficiary has the right to take the new money out. Of course, if she took it out, instead of leaving it to accumulate, I wouldn't give her any more. Since Emily is a minor, her mother can exercise the withdrawal power, but she had better not, either.

I had planned to start her trust in January. By the time I had all the paperwork done, it was March. In March I opened a brokerage account in the name of the new trust and sent in a check for $10,000 while I decided what to do.

Using the college planning program I found in Quicken, I calculated that by starting with $10,000 and allowing for 4% inflation and an 8% rate of return, I would have to contribute $2,367.50 each year (adjusted upward for inflation) to keep Emily's money growing enough for her to make it through college.

I thought about buying three mutual funds. Although I would have bought no-loads, even no-load funds have expenses. If I didn't plan to trade a lot, I would be better off buying individual stocks, paying a single brokerage commission and saving on the annual management fee that funds charge.

So I bought three stocks for Emily: Coca-Cola (60), Intel (109) and Hewlett-Packard (67). I thought this would be a good portfolio and my expenses would be low. The commission was $121.55, or approximately 1.21%. In the average mutual fund I would have had to pay almost that much every year in management fees and expenses.

For me, the long-term return on equities, which has averaged a little more than 7.1% between 1926 and 1993, makes stocks an obvious choice for Emily over the next 15 years. The big flaw in the planning program is Uncle Sam's cut of the pie. Unlike IRAs and other tax-free accounts, Emily's trust will have to pay taxes. Every year the trust must file a separate tax return. That's another reason I like the idea of buying stocks instead of a mutual fund. I figured I would hold the stocks for a long time, whereas in a growth fund there would be portfolio turnover and capital gains taxes to pay almost every year.

Just over six months have gone by since my initial purchase. Emily's doing real well. Using the personal finance program of America Online, I calculate that her fund is now worth close to $11,740—Intel (63, after a 2-for-1 split), Hewlett-Packard (84) and Coke (69). Nice, but unsustainable. You can't count on that kind of appreciation regularly.

My original plan was to refigure the numbers every year to see if I should increase or decrease my yearly contribution. However, flush with victory, I recalculated what I would have to contribute to the trust if I were able to sustain just half the rate of increase. According to the Quicken program, were I to do this, I could actually take out $253 a year and still meet my goal. Obviously, unrealistic, too.

At any rate, I now face a dilemma: Do I continue to hold these stocks that have already performed beyond my near-term expectations? Do I sell and look for new stocks? With only three stocks I really have little protection should the market dive. So I'm thinking of selling a third of the stocks and buying long-term Treasurys. I would do this, not because I like bonds, but to cut some of my market risk right now, since I think these stocks are temporarily too high. But if I do that, it would mean selling Emily's portfolio, thereby giving up the advantage of the compounding effect of long-term investing. In addition, it would increase my costs, which I wanted to avoid. ■

EDITED BY WILLIAM G. FLANAGAN

Treasure Island

The uninhabited island of Cocos, off Costa Rica, is to divers what Pebble Beach is to golfers.

By John Harding

John D. Harding

FOR SCUBA DIVERS, a trip to Cocos Island is the underwater equivalent of a private box at the Super Bowl. Isla del Coco, to use its local name, is a 10-square-mile speck in the Pacific halfway between Costa Rica and the Galapagos Islands, and opposite Colombia. Cocos is the Treasure Island of legend and allegedly inspired Robert Louis Stevenson's book.

Getting there is an adventure in itself. You fly to San José, the capital of Costa Rica, and then take a 2-hour bus ride to Puntarenas, a dilapidated fishing village. From there the island takes 30 hours to reach by boat.

It was always a remote place. Early mariners often missed it when it was shrouded in the heavy clouds that cloak its peaks. A dense rain forest covers the island, slashed by waterfalls dropping over 200 feet to deserted bays. Having replenished their water kegs, gathered some fruit and a few wild pigs, most of the whalers and windjammers of old went their way. Some carved the names of their ships on the rocks of Chatham Bay: *Washington Gardner,* 1797; *Charles W. Morgan,* July 14, 1843. The whaler *Morgan* is today preserved at the Mystic Seaport in Connecticut.

Declaring Cocos a national park, the Costa Rican government long ago forbade hunting for treasures hidden there by pirates, but the small park service garrison in Wafer Bay keeps busy fending off commercial fishermen bent on killing the very sharks we have come to see. Their fins fetch fancy prices in Asian markets as the namesake ingredient in soup.

We live on the *Sea Hunter,* a sturdy, 115-foot-long, 28-foot-wide vessel, which offers single, double or triple cabins, each with its own bath. *Sea Hunter* alternates with her slightly smaller sister, the *Undersea Hunter,* making ten-day trips to Cocos every two weeks, except from mid-September to mid-October, when both boats are hauled for maintenance.

One of the two Israeli-born partners who own the fleet is often aboard, Yosy Naaman or Avi Klapfer, a noted underwater photographer.

The 20 divers on board are an international crowd from Belgium,

Steve Fantes-Forbes

Cocos Island, off Costa Rica

Rich in sea life, empty of inhabitants.

Costa Rica, France, Germany, Great Britain, Holland, Spain, Switzerland, Japan, as well as the U.S. They include bankers, geologists, teachers, dentists and ecologists. The average age is about 45, and not all are expert divers. They needn't be. The creatures we've come to see usually cruise near the surface or around shallow reefs. Few of the dives in the clear, tropical waters take us down more than 100 feet.

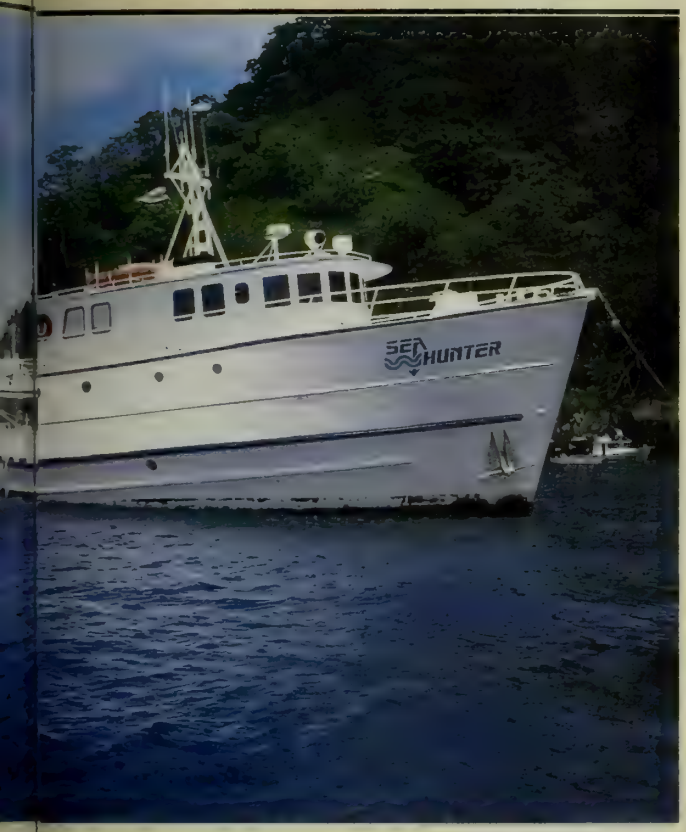
Are the sharks dangerous? Not especially. Their traditional fish food is abundant, anyway, so why should they go for human meat packaged in neoprene suits? Nevertheless, sharks are unpredictable, and we are warned not to touch them or anything else—including coral.

A typical Cocos dive day starts on one of the *pangas,* motoring to a craggy chunk of rock populated by boobies and frigate birds. We don ou dive gear and tumble backwards o the side of the boat.

Peering down into the indig depths over 100 feet below, we sin down past a rocky wall. Slim, aerody namic shapes lie in sand hollows be tween the rocks, gray and sleek. As w get closer a tail twitches, a rounde snout is raised, and suddenly five o six white-tip reef sharks scatter, re sentful of our intrusion. A 10-foo hammerhead approaches, displayin a curved mouth bristling with jagge teeth. White scars on her silver-gra flanks show that she's recently bee mating; males inflict deep bites in th violent ritual. Looking up to the ligh above, we witness the awesome sigh of dozens of hammerheads passin overhead like a squadron of fighte planes, breaking formation and criss crossing with sinuous sweeps.

Dropping deeper, we pass to a low er layer of colder water sweeping i from the depths of the ocean. A underwater cavern yawns before us and as we enter, a duo of big marbl rays part company and swing by o either side, their mottled back matching the boulders around us.

Taking care not to be pushe



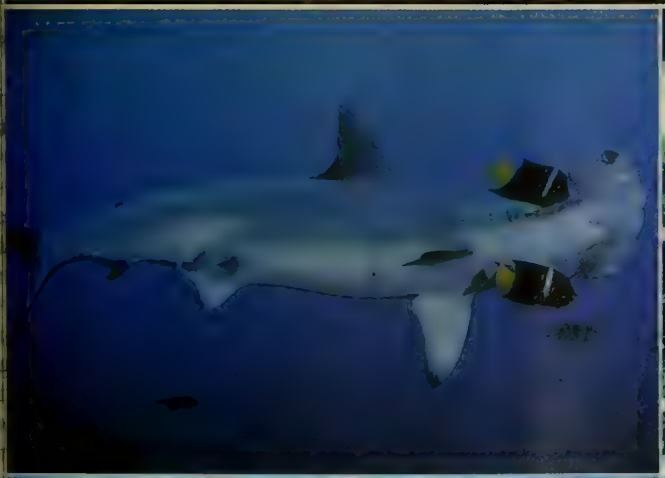
The "Sea Hunter" at Cocos Island
Our ten days' live-aboard took 30 hours to reach Treasure Island from Costa Rica.

against the rocks where clusters of sea urchins wait to spear us on their 6-inch spines, we see the head of a large green moray eel poking out of a crevice, its jaws opening and closing like a cantankerous terrier. A pair of blue-and-orange spiny lobsters wave their long, thorny antennas at us from beneath a rock.

Before the dive is over, we see a school of amberjacks, a lone, 100-pound tuna, 8-foot-wide manta rays, starfish, parrot fish, puffer fish, turquoise angels, striped triggerfish and pods of dolphins.

Ten days aboard the *Undersea Hunter* or *Sea Hunter* runs about $2,900 per person, including meals, diving and fees. Bus transfers are arranged to Puntarenas from San José, which is served from the U.S. by Lacsa, American Airlines and United Airlines. For reservations and information contact See & Sea Travel Service in San Francisco. Phone: 415-434-3400; fax: 415-434-3409; E-mail: divxprt@ix.netcom.com. Try to book six months in advance.

A McDonald's for sea denizens
Clockwise, from lower left: sailfish, hammerhead, moray eel, manta ray.



Photographs by Avi Klapfer

Tieing one on

What's a highly visible difference between the Eighties and the Nineties? Answer: men's neckties.

By Graham Button

"I HAVE ABOUT THREE TIMES the number of ties today that I did ten years ago," says Augie Nieto, chief executive of Life Fitness, an exercise equipment maker. "I even have a Jerry Garcia tie."

Like many executives at companies that have adopted casual dress policies, Nieto is donning ties in the office less often these days. When he does, he opts for ties that spark comments from customers and colleagues.

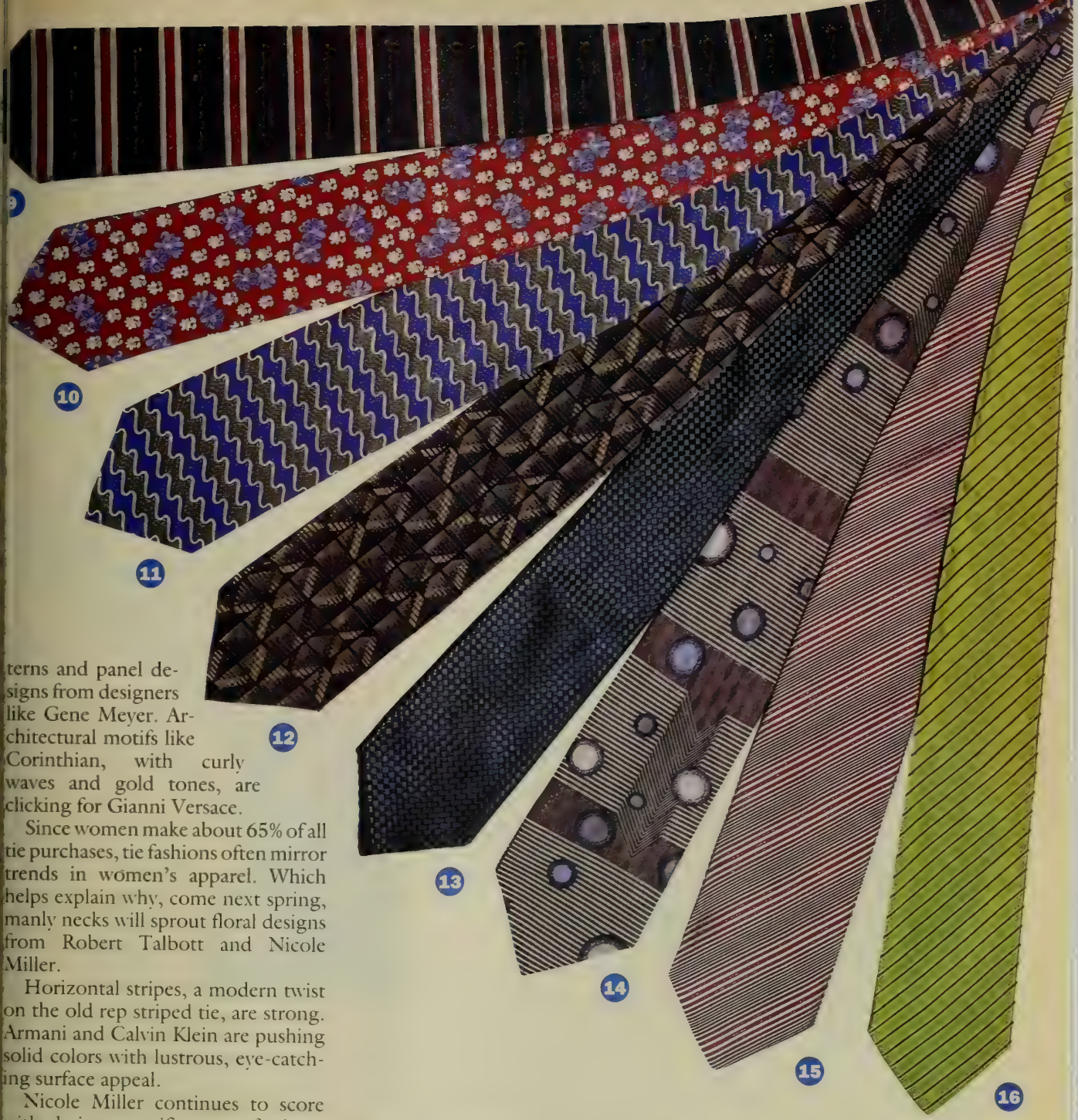
Broad ties, narrow ties, bow ties, ties designed by rock stars. Like fashion itself, the male necktie is a cultural weather vane. In the 1980s the so-called power tie—bold reds and yellows accentuated by traditional patterns—signified conformity: a way of saying, "I'm serious but don't make waves."

That's all out now, kaput, finished. Ties in the 1990s have loud, boisterous patterns. They shout: "I'm an individualist, not bound by the rules." Jay Leno and Rush Limbaugh set the style.

As it has been for about five years, the preferred width is four to four-and-a-half inches. If you like narrower ties, try the back of your closet.

"People now want color and excitement in their neckwear," says Troy Heiden, associate merchandise manager for the Knot Shop. Muted earth tones are giving way to bright, crisp colors—golds, blues, pinks and reds. Designer ties by Format and Pancaldi, favorites among celebrities, will catch the eye at 100 paces.

To the past belong pin dots, polka dots and traditional diagonal stripes. In their place: expansive abstract pat-



terns and panel designs from designers like Gene Meyer. Architectural motifs like Corinthian, with curly waves and gold tones, are clicking for Gianni Versace.

Since women make about 65% of all tie purchases, tie fashions often mirror trends in women's apparel. Which helps explain why, come next spring, manly necks will sprout floral designs from Robert Talbott and Nicole Miller.

Horizontal stripes, a modern twist on the old rep striped tie, are strong. Armani and Calvin Klein are pushing solid colors with lustrous, eye-catching surface appeal.

Nicole Miller continues to score with designs specific to professions, hobbies and sports interests. The J. Garcia line, a hit since its debut in 1992, has been red-hot since the passing of its rocker designer. After Jerry Garcia died in August, the Knot Shop chain sold close to 3,000, at $29.50 each, in one week—about ten times the usual volume. Also gaining a strong following are hand-painted ties by Robert Daskal and computer-generated designs by Jhane Barnes.

Want to avoid looking *passé*? Throw away or hide that Save the Whales tie. Cause-related neckwear is on the way out. ■

The loud and the bold

1 Tabasco, $25
2 Gucci, $90
3 J. Garcia, $29.50
4 Gucci, $90
5 Gianni Versace, $90
6 Gene Meyer, $59.50
7 Nicole Miller,$60
8 Robert Daskal, $65
9 Brooks Brothers, $38
10 Brooks Brothers, $38
11 Format, $70
12 Jhane Barnes, $70
13 Charvet, $110
14 Format, $70
15 Calvin Klein, $77.50
16 Etro, $85

For your ears only

Tired of the static on your cordless phone? Nervous about the lack of privacy? Help is at hand.

By Alexandra Alger

AMERICANS LOVE cordless phones—62% of U.S. households have one. We also hate what is wrong with them. Depending on your home, the range of the signal is limited, especially in high-rise buildings. There can be cross talk or static—from other cordless phones, computers, household appliances, even baby monitors.

Worst of all, there is the security problem. Neighbors' cordless phones that are giving you static could also be picking up your conversations. It's now against federal law to eavesdrop, but anyone with a radio scanner within a half a mile of you could tune you in. "We always tell our customers that they shouldn't say anything that they wouldn't want to see on the front page of their local newspaper," says David Jordan, an advisory engineer in technical security for MCI Communications Corp.

Still, people get careless. Last year a Memphis woman and her lover were arrested after a friend with a police scanner overheard them plotting to kill the woman's husband.

Happily, a new generation of digital cordless telephones is coming on the market that corrects those problems—at a price. Analog cordless telephones—the standard type—average $60 to $70. The new digital phones have retail prices of at least $200, though they will doubtless drop somewhat as the market continues to grow.

Standard cordless telephones transmit conversations over FM radio waves (the 46-to-49-megahertz band); digital phones run on the 902-to-928-megahertz band, higher and less crowded. The best new models also use a transmission technology called spread spectrum. Not only is there far less interference on these new phones, but their range is also greater—2,000 feet or even more—since they use more electrical power.

You can't casually eavesdrop on spread-spectrum phones. They convert voice signals into digital code before transmitting them from the receiving station to your handset. And their transmission patterns are complex and hard to crack. (Spread-spectrum techniques were invented to thwart enemy jamming in WWII.) But even these phones are not inviolable. They can be decoded—but it would take an expert hacker to do it.

Illustrations by Tom Klare

Spread-spectrum phones have been around for two years, but buying one is just starting to make sense. The first model, produced by Cincinnati Microwave Inc., was unproven and costly—$350. This fall about a dozen different models are appearing. The cheapest are retailing for just under $200. By the end of the year, prices should drop further, as retailers begin their holiday-season drive to boost sales.

The new spread-spectrum phones are not yet in every electronics store, although Radio Shack outlets already stock its own brand.

You can call other manufacturers directly for a local dealer: Uniden of America (817-858-3596); Cincinnati Microwave (800-433-3487); Southwestern Bell (800-366-0937); and Cobra Electronics (800-262-7222). Cincinnati Microwave's Escort brand is available only through mail order. The Escort 9100 model, at $199.95, is one of the cheapest models on the market right now.

AT&T and VTech Communications (800-624-5088) will introduce their first models soon. Sony's DCT-201, due next spring, will come with an intercom system and a regular, corded phone incorporated into the base unit. It's handy if you are closer to the base station when the phone rings and the cordless extension is out in the garden.

If you would like to find out more about digital phones, call the Electronic Industries Association (703-907-7600) in Arlington, Va. for free pamphlets. ■

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How Wedgwood creamed the competition

Collectors still get fired up about pearly creamware two centuries after Josiah Wedgwood gave it his name.

By Doris Athineos

Wedgwood krater vase **One of a pair of copies of an ancient Greek urn, valued at $50,000.**

Philadelphia Museum of Art

EVERYONE KNOWS the powder-blue stoneware decorated with dead Greek poets in togas. But that's later Josiah Wedgwood stuff. Before plaques and jasperware tea sets made him famous, he was firing humble creamware for farmers.

Wedgwood (1730-95) bridged the market gap between porcelain, affordable only by the high and mighty, and humble wooden bowls. He refined the clay formula of earthenware, making ordinary creamware resemble porcelain.

The man knew how to sell. "Wedgwood was the father of modern marketing," says Letitia Roberts, Sotheby's ceramic specialist. Once he became "Potter to Her Majesty," he increased prices for the nobility. "Then he lowered the prices so that the middling people could afford it," notes Roberts—thus broadening his market.

Smart marketer that he was, Wedgwood understood the importance of the celebrity client. In 1773 Catherine the Great of Russia ordered a 952-piece creamware dinner service for the Chesmenski Palace, situated very near a frog swamp. Wedgwood went all out. Each hand-painted plate, bowl and cup depicted a small, prone frog as well as scenes of different British castles and landscapes—some 1,244 views in all. Thirty painters worked for 11 months, and Catherine's £2,700 payment barely covered costs.

Today 770 pieces survive at the Hermitage in St. Petersburg, but stray plates can pop up at auction. A chipped "frog-service" dessert plate sold for $16,500 in 1991.

Not one to rest on his laurel-bordered plates, Wedgwood kept on potting. After 5,000 experiments, he concocted the smooth, durable stoneware that came to be known as jasperware. It looked like architectural plaster but stained to even shades of blue, green and lilac. Jasperware was so impressive that the Sèvres royal porcelain factory in France and the Meissen works in Germany later cloned it. The best of 18th-century jasperware is translucent when held to light, rings like porcelain and feels silky to the touch.

From aristocratic friends Wedgwood borrowed Roman and Greek antiquities to copy, including some

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Birmingham Museum of Art

Birmingham Museum of Art

Edward Santalone

Portland vase (left). One fetched a record $60,000 at auction. Single "frog" plate (top), from the service made for Catherine the Great, sold for $16,500. Fairyland lustreware produced at the Wedgwood factory from 1915 to 1931 is now hot. A ginger jar and cover fetched $28,000.

Edward Santalone

vases and urns found on digs in Herculaneum, Italy. Wedgwood made about 30 jasper copies of the legendary Portland vase, a cameo-glass vase from the 1st century B.C. He craftily enlisted the aid of the president of the Royal Academy, portraitist Sir Joshua Reynolds, who gushed (in print) over the imitations. One of those 18th-century Portland vases holds the record for Wedgwood at auction: It sold for about $60,000. Another Portland vase traded privately for a reported $95,000.

Many 18th-century jasperware designs were revived by the Wedgwood company in the 19th century, but they are not so highly valued. Nineteenth-century Portland vases, for example, go for only about $3,000. "They were made to be used," says Roberts. "They don't have a lot of artistic flair."

Wedgwood made black stoneware, called basalt, with a bronze-like sheen. In the 1780s he made basalt library busts of 82 figures, mostly from antiquity, from Aristotle to Zeno. He also made Etruscan vases and buff-colored caneware.

Wedgwood wasn't shy. He was the first pottery manufacturer to impress his own name in clay on the bottom of his pots. He successfully lobbied for construction of a 93-mile-long canal linking his factory to Liverpool and Hull. The waterway brought down the cost of bringing raw materials to his factory. Since finished goods could now be barged out, he reduced breakage incurred in sending his fragile products by cart over bumpy roads. In those days transportation was a major, often the major, cost in manufacture. The canal cut Wedgwood's transport costs by as much as 85%.

Josiah Wedgwood was an English supporter of the American Revolution and a grandfather of evolutionist Charles Darwin. His business has survived for more than two centuries. Today creamware and jasperware are produced by Waterford Wedgwood plc, and descendant F. Alan Wedgwood sits on the board.

Charlotte Zeitlin started collecting Wedgwood 60 years ago with her husband David, then a bristle importer in Philadelphia. While in London for the bristle auctions, the Zeitlins collected hundreds of Wedgwood urns, bowls, plaques—even a sage-green jasperware stiletto heel that was made in 1957.

At first Charlotte scooped up less expensive 19th-century pieces. Then other collectors and lots of reading led her to trade up to the 18th century. But she never parted with some 19th-century favorites: black basalt vases trimmed in gold, or with snake-handled vases.

Nor was she afraid of bucking the crowd. "Wedgwood people were date snobs and said, 'It must be marked,' " remembers Charlotte,

Charlotte Zeitlin
A Wedgwood collector for 60 years who taught the experts a thing or two.

who nonetheless paid about $400 for an unmarked, 33-inch-high krater vase at a London shop in 1960. So-called krater vases are replicas of ancient Greek urns that were used for mixing wine and water.

"I thought it was an umbrella stand," she confesses. But it had caught her eye, and after nine years hunting for clues, she found that her vase was one of only two 18th-century Wedgwood copies of the original, 4th century B.C. krater vase, which is housed at the British Museum.

The other Wedgwood copy is in the Victoria & Albert Museum. "The V&A didn't know what they had until I told them," says Charlotte. In 1992 she gave her krater vase to the Philadelphia Museum of Art, where it went on permanent display on Sept. 16. It's valued at $50,000.

Again departing from the advice of experts, Zeitlin plunked down $30 in 1975 for five pieces of Fairyland lustreware, a colorfully glazed bone china. It was produced at the Wedgwood factory from 1915 to 1931 by artist Daisy Makeig-Jones. Now it's hot. In 1993 a Fairyland ginger jar and cover sold for $28,000 at Bonhams in London.

Other 20th-century Wedgwood pieces now being snatched up by collectors include basalt sea lions and polar bear figures made by artist John Skeaping for the Wedgwood factory starting in 1927. Original Skeaping figures are marked "Wedgwood," "Etruria" and "England."

Alas, misidentified and fake Wedgwood is common. The most desirable 18th-century mark is Wedgwood & Bentley (his partner), which sometimes appears "W&B." If "England" appears as part of the mark, it was probably a remake, produced after 1891. And stay away from Wedgwood spelled with an extra "e" in the middle. It was a 19th-century potter's attempt to cash in on the name.

Less obvious are 18th-century fakes that hit the market a few years ago—turned out by a former Wedgwood potter. Buy from a reputable dealer who guarantees sales.

Volumes have been written on Wedgwood pottery; the 515-page *Wedgwood: The New Illustrated Dictionary* by Robin Reilly (Antique Collectors' Club, $89.50) is a good place to start.

U.S. museums with outstanding collections include the Birmingham (Ala.) Museum of Art, which houses the 1,400-piece collection of Dwight and Lucille Beeson. Pick up the Beeson catalog ($45 softcover).

The Wedgwood Society of New York meets six times a year (5 Dogwood Court, Glen Head, N.Y. 11545). The $25 annual membership fee includes a newsletter.

In England, visit the Wedgwood Museum (44-1782-204-218) in Barlaston, Staffordshire, which chronicles the founder's career in a special exhibition through Dec. 15. You can also tour the factory there, where Wedgwood is still made.

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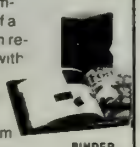

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In a rayon mill's warping department, rayon warp (lengthwise) yarns are prepared for the weaving operation.

"The more things change . . ."

70 years ago in FORBES

(FROM THE ISSUE OF NOV. 1, 1925)

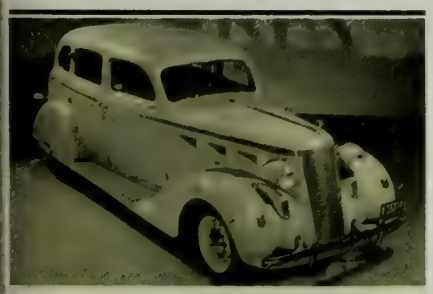
"**A new textile,** rayon (artificial silk), making its commercial appearance in the early years of the present century, has within the past ten years become an industry of outstanding importance."

"**Motorists** will soon be able to pilot themselves lengthwise and crosswise of the U.S. without asking questions or consulting maps. A little card in their vest pocket will do. It will tell how the through motor roads are numbered, and the signposts will do the rest, as soon as they are up. So far the numbering is on paper, as agreed to between the Bureau of Public Roads under the Department of Agriculture and the American Association of State Highway Officials."

60 years ago

(FROM THE ISSUE OF NOV. 1, 1935)

"**The recovery** taking place in the automobile and related industries is more spectacular than in most other lines of enterprise. . . . Unless the industry's leaders are far astray in their calculations, motor production and profits in 1936 will eclipse anything witnessed this year."



Dolled-up DeSoto 1936 Airstream sedan.

"**New York City's** five-month-old Associated Hospital Service (to which wage earners may contribute three cents a day in return for hospital-care 'insurance' in case of illness) now claims to be the largest organization of its kind in the U.S., with 151 hospitals participating and a membership exceeding 25,000."

50 years ago

(FROM THE ISSUE OF NOV. 1, 1945)

"**Does the [TV] industry** face chaos? The dramatic disclosure of Columbia Broadcasting System's successful high-frequency color television has upset proposals to allocate low-band black-and-white transmission. Moreover, it's creating some doubt as to whether or not capital risked on low-frequency transmission systems can be recaptured."

"**A revolution** is brewing in the machine tool industry. Sparked by the Bullard Co., Bridgeport, Conn., it's founded on a basically new type of device whereby machine tools are automatically controlled. . . . The new automatic control coordinates all operations of the machine in their proper sequence for timing with machine functions."

25 years ago

(FROM THE ISSUE OF NOV. 1, 1970)

"**While the financial** press was reporting IBM's nine-month earnings up 8.4%, there was another side to the story. Actually, operating earnings *fell* a bit, from $1.37 billion to $1.36 billion. IBM's other income, mainly from its $1.2-billion securities portfolio, enabled it to show the 8.4% increase."

"**The world's great** lasting fortunes and its great lasting business successes have almost always gone not to those who were simply shrewd or sharp but to those who recognized and capitalized on vast sweeping changes in technology, in sociology, in economics. Such an opportunity today, unquestionably, is the emergence of the Pacific Basin as a major economic force in the world."

Tourists to the Far East are always impressed by this comely method of moving goods. But the important economic fact is that the industrial growth of the Pacific Rim countries is among the highest on earth.

10 years ago

(FROM THE ISSUE OF OCT. 28, 1985)

"**The command** 'Gentlemen, start your engines' that traditionally sends 33 racing cars on their perilous way each Memorial Day weekend in the Indy 500 race is given nowadays by an 80-year-old gentlewoman named Mary Fendrich Hulman. What's a nice old lady doing in a place like this? She owns it. . . . Her late husband, Anton (Tony) Hulman Jr., bought the speedway for $750,000 in 1945 from World War I flying ace Eddie Rickenbacker. 'Eddie thought he was selling a pig in a poke,' Hulman muses. 'It was quite run-down.' "

"**Americans have** about 720 million credit cards in their purses and wallets—more than three for every man, woman and child in the country—so plastic money must be good for you. Right? Not so, in the opinions expressed in a Roper poll. Only 35% said the cards were more good than bad; 46% held the opposite view."

Many men who do creditable things refuse to let it be known. This is a mistake. While we all admire modesty, nevertheless there is a great national need to do everything possible to bring home to the rank and file of the people that all employers and all wealthy men are not grinding, mercenary, selfish skinflints, but that many of them take delight in doing helpful things for others . . . Shortcomings of employers are constantly paraded. Why not let the public become acquainted with the better side which most present-day employers possess?

–B.C. Forbes

A Text . . .

Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged: and with what measure ye mete, it shall be measured to you again.
–Matthew 7:1-2

Sent in by R. Slade Wilson, Richmond, Va.
What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

The hardest thing to cope with is not selfishness or vanity or deceitfulness, but sheer stupidity.
–Eric Hoffer

A learned blockhead is a greater blockhead than an ignorant one.
–Benjamin Franklin

Uncultivated minds are not full of wild flowers, like uncultivated fields. Villainous weeds grow in them and they are the haunt of toads.
–Logan Pearsall Smith

Ignorance is not innocence but sin.
–Robert Browning

Nothing in all the world is more dangerous than sincere ignorance and conscientious stupidity.
–Martin Luther King

It is so pleasant to come across people who are more stupid than ourselves. We love them at once for being so.
–Jerome K. Jerome

Whenever a man does a thoroughly stupid thing it is always from the noblest motive.
–Oscar Wilde

There must always be some who are brighter and some who are stupider. The latter make up for it by being better workers.
–Bertolt Brecht

More than 9,000 "Thoughts," indexed by author and subject, are available in a three-volume boxed set at $69.50 ($27.50 per volume if purchased separately). Also available, a one-volume edition of over 3,000 "Thoughts." Price: $27.50. Send check and order to Forbes Books, P.O. Box 11234, Des Moines, IA 50340. Add sales tax on orders in New York State and other states where applicable. For faster service call 1-800-234-4553 and charge to your credit card.

To accuse another of having weak kidneys, lungs or heart is not a crime; on the contrary, saying he has a weak brain is a crime. To be considered stupid and to be told so is more painful than being called gluttonous, mendacious, violent, lascivious, lazy, cowardly; every weakness, every vice, has found its defenders, its ennoblement and exaltation, but stupidity hasn't.
–Primo Levi

Ignorance is not bliss—it is oblivion.
–Philip Wylie

He that reads and grows no wiser seldom suspects his own deficiency, but complains of hard words and obscure sentences, and asks why books are written which cannot be understood.
–Samuel Johnson

Strange as it may seem, no amount of learning can cure stupidity, and formal education positively fortifies it.
–Stephen Vizinczey

Stupidity is an elemental force for which no earthquake is a match.
–Karl Kraus

One great mistake made by intelligent people is to refuse to believe that the world is as stupid as it is.
–Madame de Tencin

Rascality has limits; stupidity has not.
–Napoleon

The question now is; Can we understand our stupidity? This is a test of intellect, not of character.
–John King Fairbank

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David Doubilet

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He says, "I look underwater for the same basic elements that a surface photographer does—light, color, motion, and gesture—and no place on earth offers a more subtle variety of those elements than does the sea."

To achieve his singular effects, he and assistants submerge themselves for hours a stretch, taking with them as many as ten compl camera systems, spare SCUBA tanks, a computers to carefully monitor their dives.

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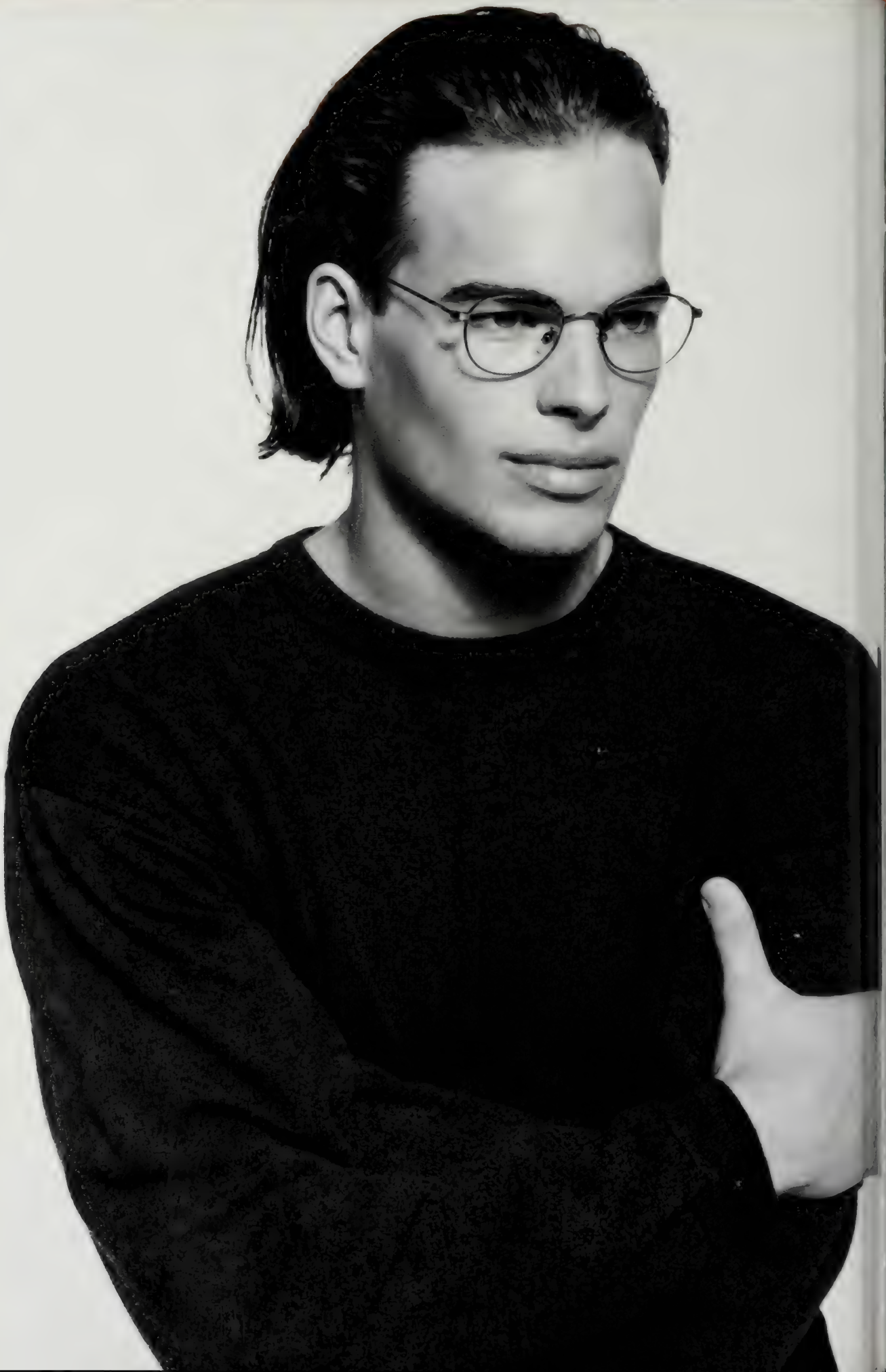

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AIR FRANCE

Fin de Siécle: The Grand Finale

This is what will happen at midnight on 31 December 1999

Let's assume it's New Year's Eve 1999. Millions of people are celebrating the imminent beginning of a new millennium. Shortly before midnight all goes quiet as the last champagne glasses are filled. At 11:59 p.m. the proud owner of a DESTRIERO pushes the chronograph button to follow the last minute of the 20th century consciously, precisely. Half a minute later, he pushes down the repeating slide to chime out the epoch in perhaps the most enchanting way yet devised by man. At 12 midnight precisely, as the first fireworks go off, he pushes the button in the crown to stop the split-second hand while the chronograph second hand continues to run undeterred.

At precisely this moment the most complicated wristwatch the world has ever seen will come into its own, as a multitude of functions start taking place simultaneously. We shall attempt to list them here in their entirety without going into too much technical detail. Unlike the watch, however, we shall have to consider these features individually, one after another.

1. The going train is driven by energy from the mainspring and is made to revolve at an absolutely constant rate by the eight vibrations per second of the tourbillon escapement.

2. The tourbillon cage begins its final 60-second rotation of the millennium.

3. The second hand, which sits above the fourth wheel and is situated in the small inner dial at the 9 o'clock position, will start one last revolution after completing 525,599 rotations in the course of 1999.

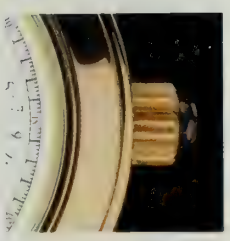
4. The minute hand on the cannon pinion slowly starts moving from the last dash on the dial towards the full hour marking.

5. At the same time the hour hand is moving almost imperceptibly by a sixtieth of a revolution from one marking to the next—in this case also 12 o'clock.

6. When the chronograph is started the rocking pinion engages with the fourth wheel in the basic movement. It starts the chronograph center wheel moving, and with it the central chronograph and split-second hands.

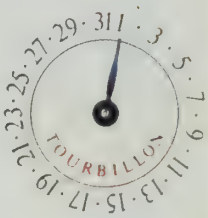
7. Depressing the repeating slide starts off a complex sequence of movements in the repeater. To describe all of them would fill several pages. Here, in simple terms, are the most important of them. Pushing the repeating slide winds the spring in the repeater.

The minute snail, quarter distributor and minute rack are released from their rest positions and positioned for action. The repeating rack comes to rest against the hour snail, which tells it that 11 full hours have to be struck. With the help of the hour and quarter rack, a hammer and lever mechanism and the force of the spring, this "information" is translated into 11 hour strokes on the lower-pitched of the two gongs.



Immediately after this the quarter distributor, which is already in the "three quarters" position, takes over and transmits three alternate strikes on the two gongs to signify that three quarters have passed since the last full hour.

The minute snail tail has been "informed" by the minute transmission wheel (which is in direct contact with the main movement) that 14 minutes have elapsed within the current quarter.



Fourteen chimes are struck on the gong via the minute rack and hammer/lever mechanism.

The repeating mechanism returns to its rest position. The entire striking phase has taken 25 to 30 seconds.

8. At 12 midnight the chronograph's minute counter wheel automatically moves one position and turns the minute counter in the upper inner dial forward by one dash.

9. At the same time, a push of the split-second button activates a switching cam, which causes the "tongs" to close around the split-second wheel. (The latter's arbor extends through the pipe-formed axle of the actual chronograph center wheel to the dial.) The split-second hand stops at 12 o'clock while the pipe with the center hand continues to rotate.

10. The calendar's date change lever provides the pulse that sets all the other sequences in motion and is itself activated by a single pulse provided by the main movement at 12 midnight.

11. It makes the date display jump from "31" to "1."

12. It moves the day-of-the-week display from "Friday" to "Saturday."

13. It turns the month display hand from "December" to "January."

14. It advances the moon phase display by one position.

15. It moves the year display disc from "9" to "0" via an intermediate switching mechanism.

16. At the same time it turns the decade display disc from "9" to "0."

17. The jump cam on the decade display disc pushes the century display slide upward by 1.2 millimeters, where it slots into position. The reduction ratio between the escape wheel and this single movement of the slide every century is 6,315,840,000 : 1. A figure "20" replaces the "19" in the date display of the IL DESTRIERO. The 21st century since the birth of Christ has begun.

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A New England blizzard and Senator McCarthy rage outside, but I am sheltered from both.

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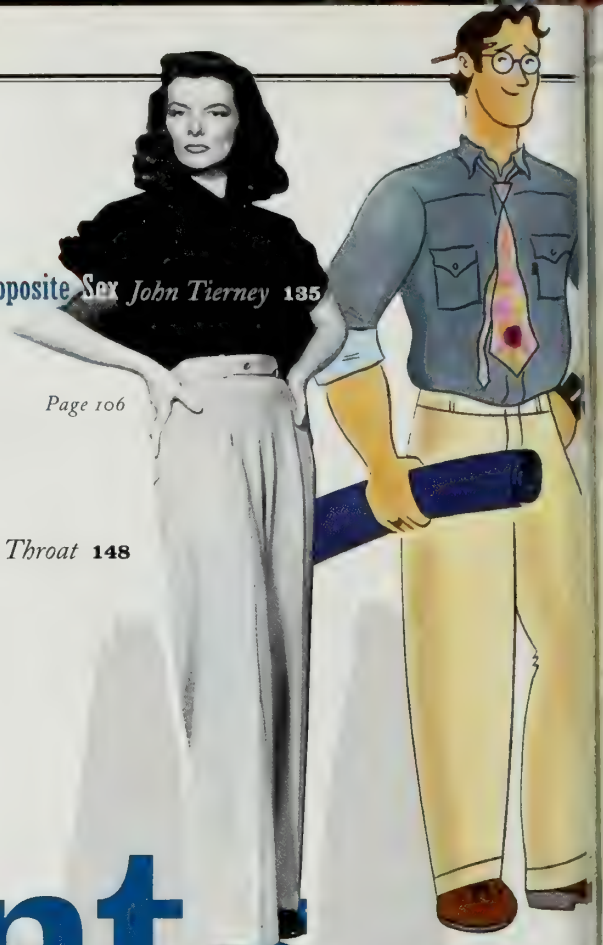

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Certainly no grown person ever capered about most obstreperously **sober.**

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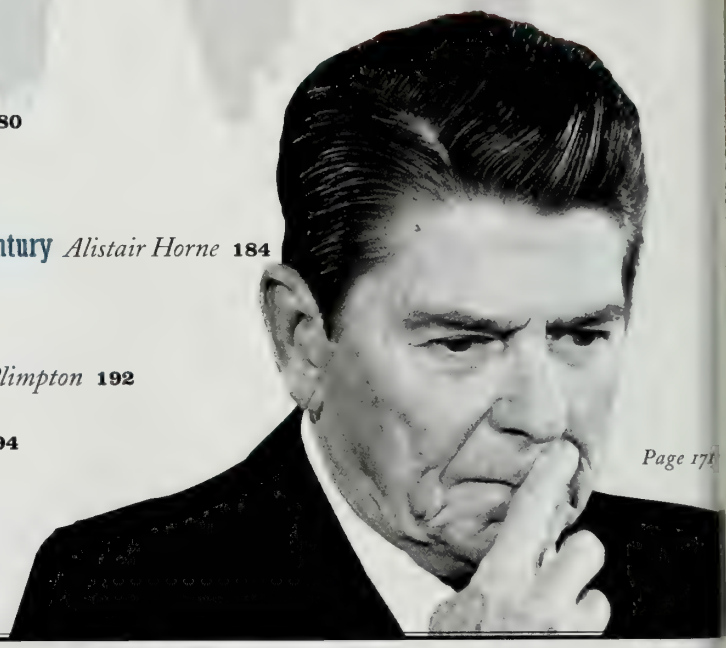

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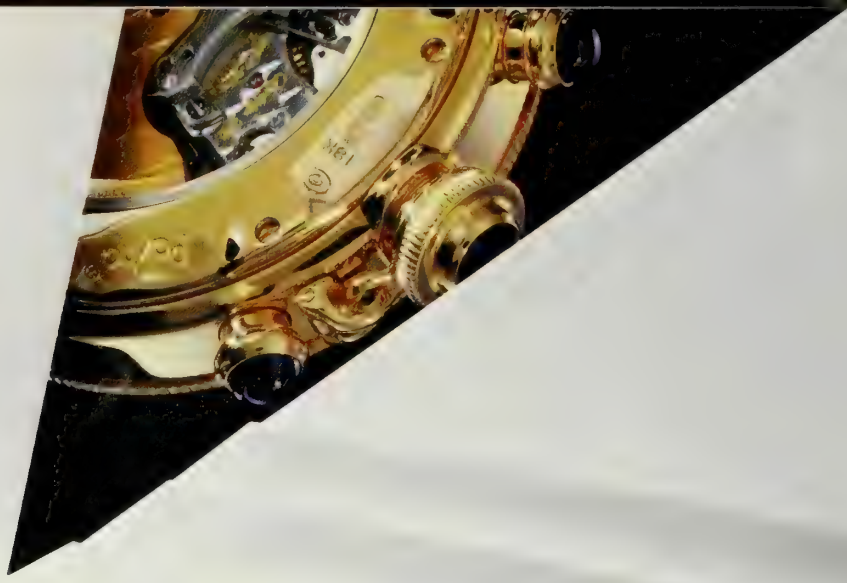

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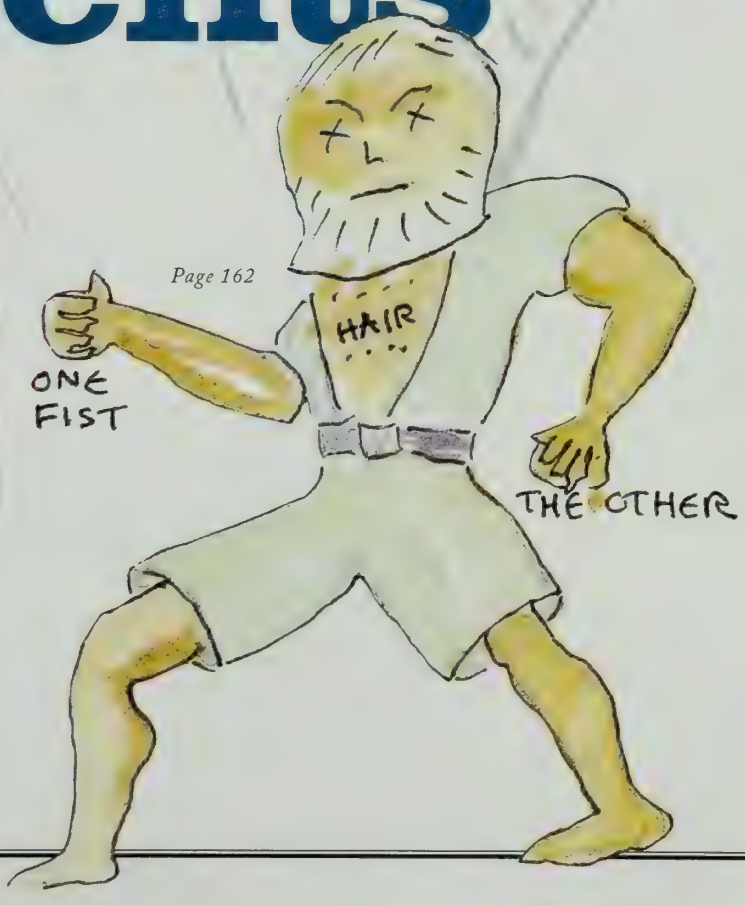

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and allows you to think,

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as it was the day before.

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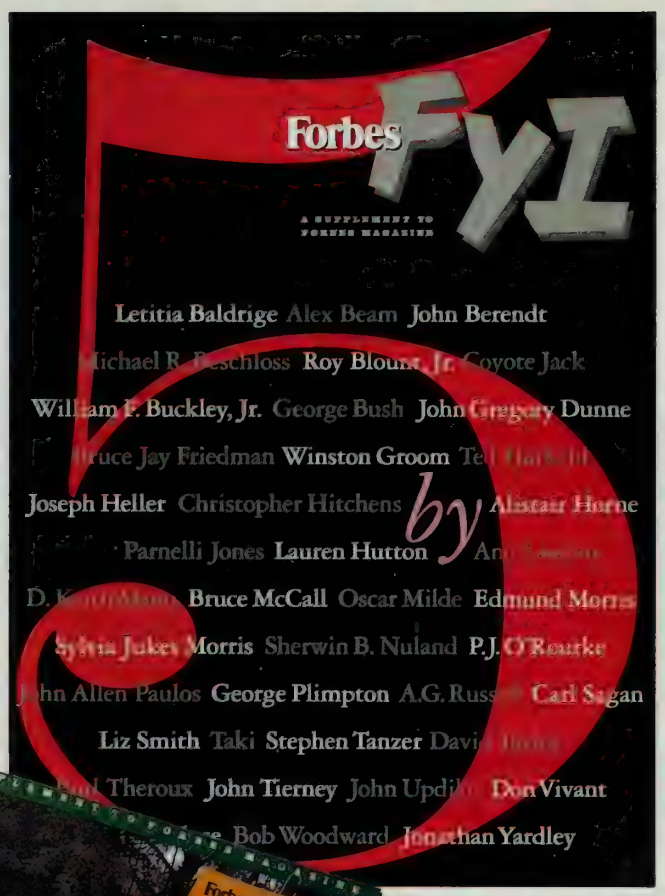
F(IVE)YI

This is the first Ed-
's Note to appear in the five years
bes *FYI* has existed, and it will be the
you'll see for another five years. You're
bably not even reading this one. We
w the score. You're busy people.
he first copy of *FYI* hit the stands
October 1, 1990. Actually, no
y of *FYI* has ever "hit the
nds." It goes out only to
bes subscribers. But let's
it did hit the stands on
tober 1, 1990. What *oth-*
world-shaking events
k place that day?



Ve checked the front page of *The York Times* for that day and d the headline:

CCORD TO REDUCE
SPENDING
ND RAISE TAXES IS REACHED;
ANY IN CONGRESS CRITICAL
ND THE VICTOR IS: BUSH?

his was, you'll now recall, the fateful development that ted Mr. Bush's signature campaign pledge, "Read my no new taxes." To be sure, the pressure on the sident was enormous. He was facing a recession and with Saddam Hussein. The *Times* reported that "It an unhappy looking group that assembled in the Rose den this afternoon. In the politics of the moment, the get deal does not give any of them, President Bush or Congressional leaders, a winning hand."

The next paragraph continued, "A central question, ugh, is who will win politically in the long term. The answer may well be the President." Elsewhere in the same issue The *Times* declared that the budget deal "may be a boon to the President in the long term." The Newspaper of Record was up to its usual prescience that day. But one good thing did come of the decision: it meant that four years later, Mr. Bush would have the time to write for *FYI* about Country & Western music. We're delighted to have another article from him for this issue, about his lifelong struggle with golf. (See page 83.)

Two former U.S. presidents have written for us. *FYI* #1 had an article on wine by Richard Nixon. Since we can't ask Mr. Nixon for another, we're reprinting it. (See page 27.)

Our contributors have been an eclectic lot, to say the least. Our first Security columnist was G. Gordon Liddy, who has gone on to other things. Now that Bob Woodward has shared his "Five Things I Learned In The Sixties" in the current *FYI*, we seem to have completed something of a Watergate Contributors trifecta.

Peter Bowen, a.k.a. Coyote Jack, kept us howling—sometimes in pain—for four years with his and Reback's adventures, which usually began with one too many shots

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Wally Water at the Mint Saloon. P.J. O'Rourke retraced ıerman McCoy's *Bonfire Of The Vanities* ride through the ean streets of the South Bronx, only this time in a Range ›ver. Bruce McCall, who is to satirical art what Van Eyck ıs to portraiture, has for years now been lavishing our ges with his brush and typewriter. James Bartlett has nsistently shot under-par with his brilliant reportage ı golf. He's also done what most of our read-s—billionaires and masters of the uni-rse alike—would give their e-teeth to do: caddied r Jack Nicklaus. ee page 45. Steph-ı Tanzer, the best ıne writer in the busi-ss, has been with us ›m the beginning, and ıs managed to remain rprisingly sober. Doug lcGrath, writing as Mr. lanners, offered advice on iquette. He was recently nom-ated, along with collaborator Voody Allen, for an Academy ward for Best Screenplay for the ovie *Bullets Over Broadway*. Parn-li Jones, winner of the Indy 500, be-ıme our car columnist—after we ırefully reviewed his credentials and ecided that he was qualified. We are not liberty to reveal the true identity of r. Gizmo, our Teutonic *Techmeister* (in ırt because we fear retaliation), but we e grateful for his regular electronic ex-geses. Andy Ferguson, one of the nest—and funniest—writers of his eneration (boomer), has been record-g life's quotidian defeats for us in his Mr. Sisyphus" column, despite his ›ntinued inability to spell Sisi—ysifus—whatever.

Frank Wells, president of Dis-ey, described for us his conquest of ıe world's highest mountains. He died in a elicopter crash in 1994, and we regret that he's not ith us to mark this anniversary. Frank Wells was our ınd of guy. The next mountain climbing adventure we ecorded was that of Martha Stewart scaling the slopes f Kilimanjaro, while putting bay leaves in everyone's eeping bags to keep them fresh. (See page 39.) Martha our kind of woman.

We've drunk wine with Mike Ditka, shot sporting clays ith Norman Schwarzkopf, flown in a Spitfire with listair Horne, gone sailing with William F. Buckley, Jr., shed with Charles Gaines, teased Ross Perot (who oesn't particularly like being teased), dug World War II rplanes out of deep Greenland ice with Pat Epps, drunk—just about everything—with Don Vivant, *FYI*'s resident literary mixologist, gone on elephant-back safari in Botswana, annoyed penguins in Antarctica (what else would you do with them?), attended butler school in England, gotten over a mid-life crisis by taking up wind-surfing, spent $2,500 a day in a Hawaiian hotel with Paul Theroux, checked out Norman Lear's home video equipment, revisited Pearl Harbor day with global thinker James Chace, dined in the finest (and—gulp—most expensive) European restaurants with historian David Fromkin, chop-pered into the Canadian Rockies and Russia's Kola Peninsula, spelunked in Belize (which we think is somewhere in Central America). We've fuzz-busted on the Interstate, imitat-ed the love call of female wild turkeys (without appearing too ridiculous, which is the real trick), motorcycled up the Pacific Coast Highway, climbed the Grand Teton with a teenage daughter, paid homage to the 20th-century's greatest invention (duct tape), had a heart attack at 42 (and survived), been pulled over for speed-ing in a Humvee (and gotten off without a ticket), escaped from Komodo dragons in Indonesia (unlike a cer-tain unfortunate German baron), liberated the Ritz Hotel in Paris with a spec-tacularly unsober Ernest Hemingway, stayed in every single one of the best hotels in Asia (where they *know* the meaning of service), examined why, exactly, Bill Clinton's head is larger than a baboon's, and gone eyeball to eyeball with Tippi Hedren's Bengal tigers. We've been dutiful dads and taken the brood to Las Vegas (that's right, Las Vegas, America's newest family vacation spot) and Disney World. We've eaten muskrat, hunted dove with Winston Groom (like Mama said, life is like a box of cartridges), dived on Japanese warships our father dive-bombed in World War II, and kept our abs flat as snare drums on a diet of mar-tinis, steak and baked potatoes with sour cream. We have proposed marriage to beautiful women in the middle of the Verona Opera Festival. We have fished for steelhead

in British Columbia. We have shopped; oh, have we *shopped*. We have put on beautiful clothes that make the man and woman. We have decided that we do not have to feel inferior to the English even though they sound better than we do. We have put the corpse of Lenin up for sale. (See page 30.) We have stayed up late in nightclubs in Miami Beach. We have toured Scotland by train and eaten haggis (uch...). We have gone over Lava Falls in the Grand Canyon in a dory. We have had fun. Our philosophy is, you cannot spell fun without the *f* in *FYI*.

Arnold Gingrich, the legendary founder of *Esquire* magazine (where *FYI*'s editor did his apprenticeship), used to say that any magazine was "Nothing but people." That's certainly been true of *FYI*. Its small staff has remained unchanged, until the recent departure of managing editor Duncan Christy, now editing his own publication with the same dash and color that he brought to ours. We were delighted when Patrick Cooke, an old, but eternally youthful magazine hand, agreed to join us and guide us, as he would doubtless put it if he were writing this, "into the third millennium." Editor At Large Geoffrey Norman has written enough superb articles for us in five years to fill an anthology. One of those, "Wine Tasting At The Hanoi Hilton," is reprinted on page 68. We could have filled the magazine with Geoff's pieces without any fear of exhausting the reader. But his greatest contributions to *FYI* have been his consistent old-pro wisdom. If *FYI* has a conscience—a debatable proposition—Geoff has provided it. Allison Moir began as assistant to the editor and is now managing editor at a still-tender age. Her article "A Woman's Guide To Fly Fishing" was immediately snapped up in an anthology of distinguished writing on the sport. Neal Santelmann began as fact-checker and is now senior editor and writer, in addition to his duties as staff curmudgeon. Mark Grischke started out as fashion editor and is now creative director. What stylishness *FYI* has is due to him. We've been recently joined by Hilary Klotz, who is ably helping us with the increased page load. Under art direc Alexander Isley, who has been with us since before one, we have won 17 design awards; *FYI* was selecte be in the permanent design collection of the Smithsoni Cooper-Hewitt National Design Museum. Alex's art rector Penny Blatt and designer Julia Warg are a large part of his genius.

Finally, there is our President, Rob Forbes, who has provided us with the lead ship, vision, friendship, wisdom, coun brilliance, courage, indefatigability, patr tism, derring-do, fortitude, stamina saintliness. [Bob: Is this okay? I can mak more fulsome if you want. Can we h more money?]

Five years seems like a long time, by any measure it's just a blink of chronological eye. *Forbes*, our pare was founded in 1917, the same y General Pershing was told to s chasing Pancho Villa and to go feat the Kaiser instead. *Scient American*, the long continuou published m azine in the U was founded 1845. We have lot of shortco ings—just ask readers—but don't have delusi of grandeur. Still, do fully intend to around for a while.

FYI was the vision that's not too gran word for a supplem of Malcolm S. Forb Sr. He died in Febru 1990, months before t presses rolled. The scription on the sto where his ashes are buri on an island in Fiji the South Pacific, rea "While alive, he live We're sorry that he ne got to see a copy of *FYI*, but we think he would have lik it, because it celebrates the good life he enjoyed so mu himself, and that he made possible for so many others.

Christopher Buckley

CHRISTOPHER BUCKLEY
EDITOR

chemistry
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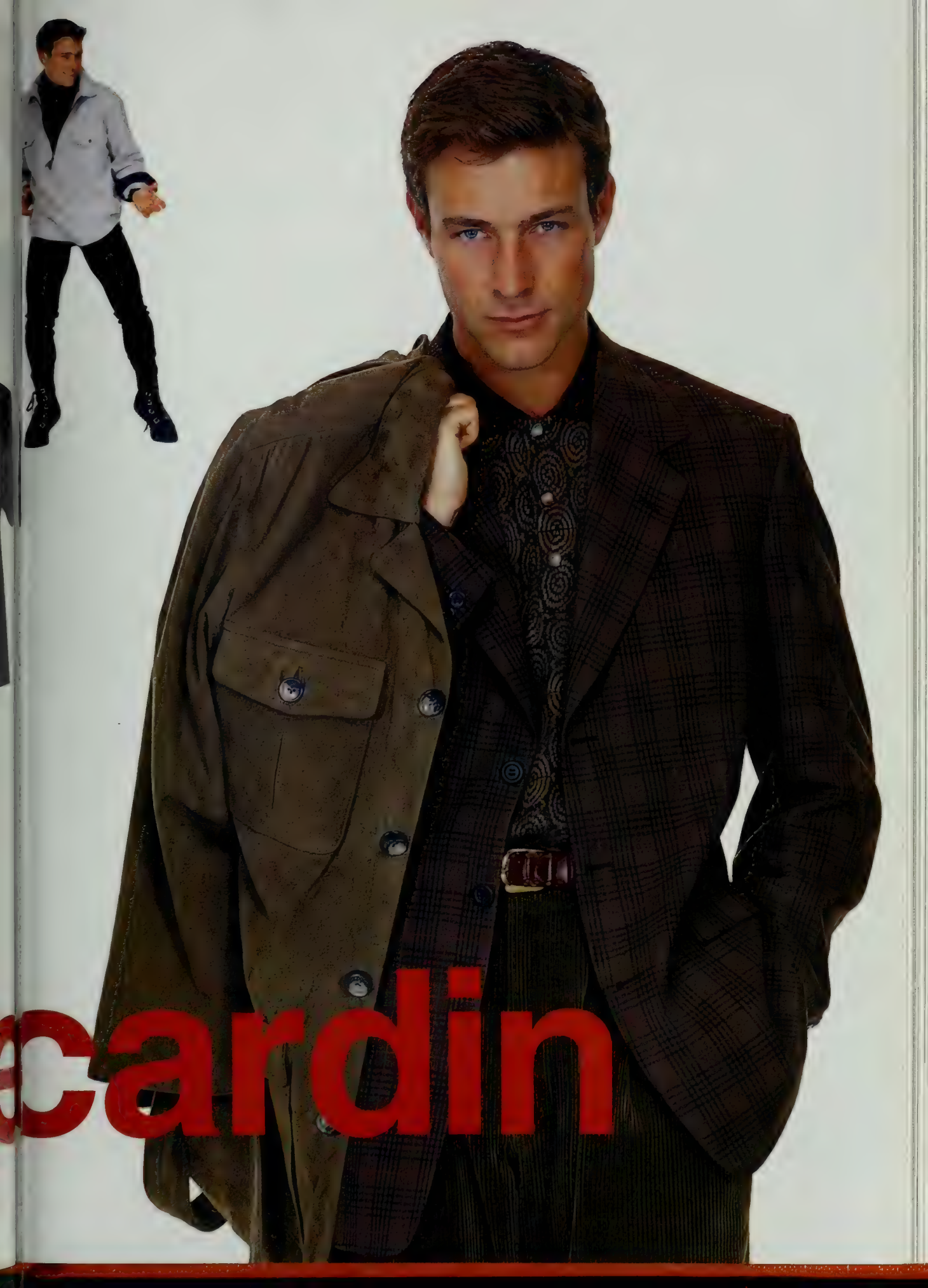
pierre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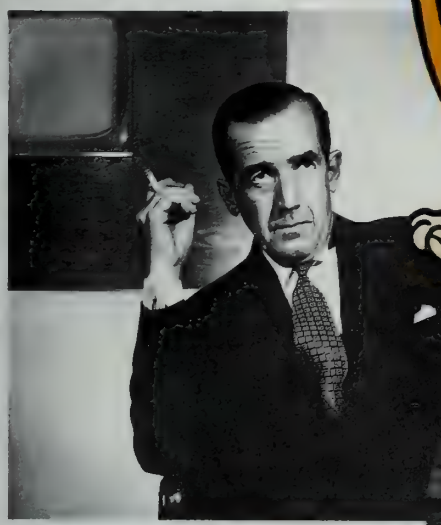
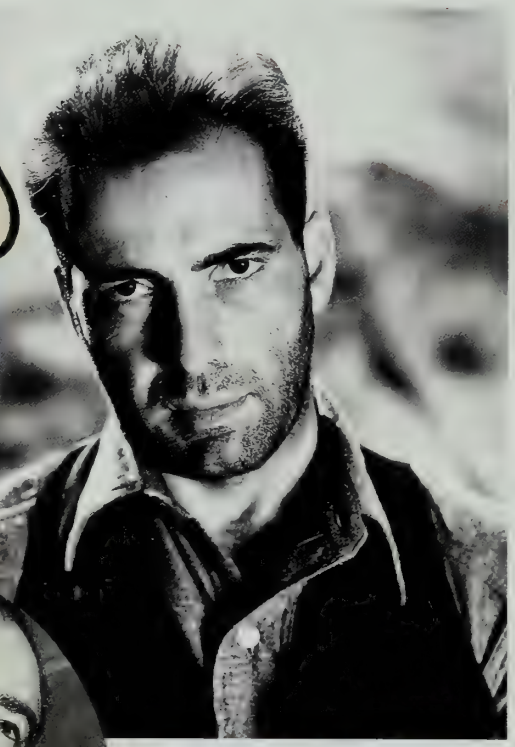
5 O'clock Shadows

A handful of hirsute immortals who always looked like the end of the day, even in the morning

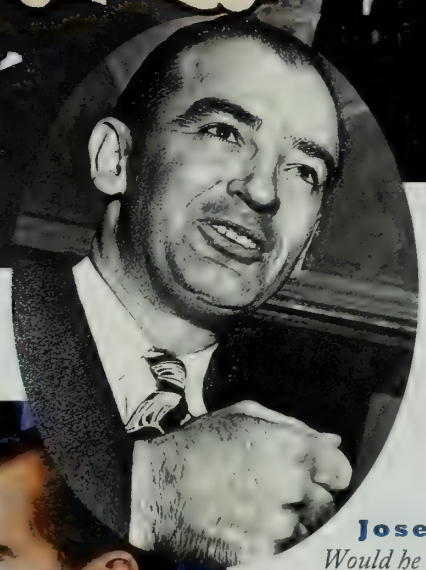
Fred Flintstone
The only one who had an excuse. It was tough getting a close shave back in the Neolithic age.



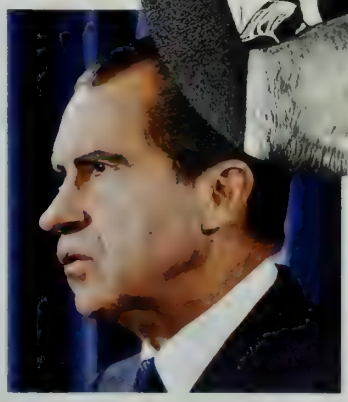
Edward R. Murrow
You could see his even through the cigarette smoke.



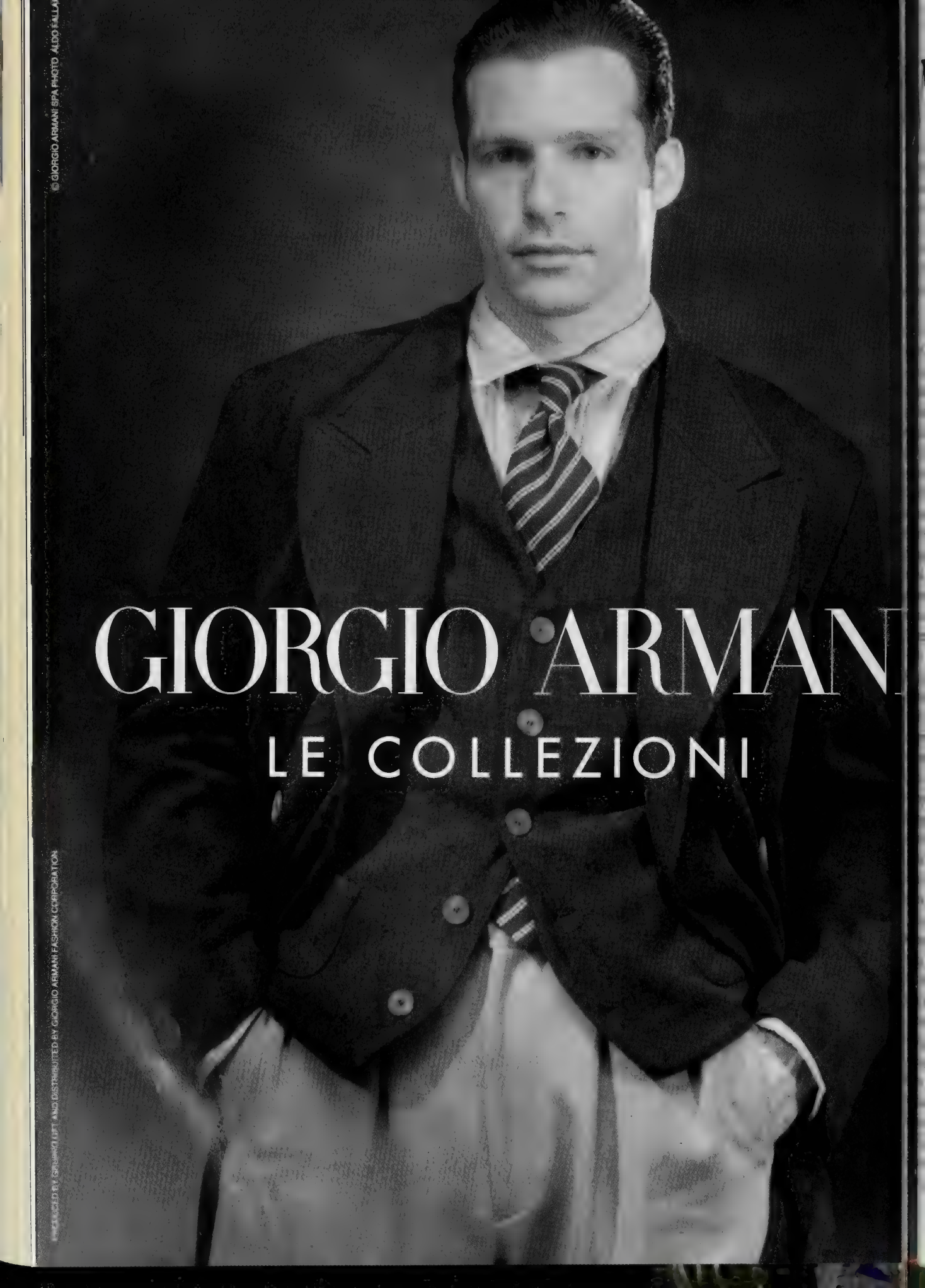
Humphrey Bogart
Some men always need a shave. Bogie always seemed to need a beard—as Fred C. Dobbs hoarding the treasure of the Sierra Madre or as Charlie Allnutt steaming upriver in The African Queen.



Joseph McCarthy
Would he have seemed so menacing and so sinister; would he have spooked the entire nation if he'd had a peaches-and-cream complexion? Probably.



Richard Nixon
It is said he lost the debate, and the Presidency, to John F. Kennedy because of the makeup he wore to conceal his beard. But, then, he always did have trouble with cover-ups.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VINTAGE NIXON

BY RICHARD NIXON

October 1, 1990

We asked Richard Nixon to contribute an article on wine for the first issue of FYI, *having rd somewhere that he had a taste for stuff and, typically, had undertaken ducate himself on the subject. To our prise, Mr. Nixon agreed, and the owing article reveals, we think, as ch about the man as it does about the ne. Pity he didn't last long enough to nk that 1913 Lafite-Rothschild.*

INVITING ME TO CONTRIBUTE TO THE INAUGURAL ue of *FYI*, Bob Forbes assumed that I was a wine connois- ir. Like most politicians, I am unusually grateful for any olades which come my way. But in this case I must ad- t that I do not deserve to be called a connoisseur. My only alification is that in 45 years of attending State dinners at me and abroad, I have en exposed to most of best and some of the rst wines in the world. I ve a well-deserved rep- tion for being contro- sial. My off-the-cuff servations on wine will, thout a doubt, add to t reputation.

Let me begin by an- ering one of Bob's ques- ns: what makes a mem- ble wine? Far more portant than the type wine, the reputation the winemaker or the tage, is the ritual of ving it and the con- sation about it. Don't t me wrong. While the ual is 90% nonsense, it 00% fun.

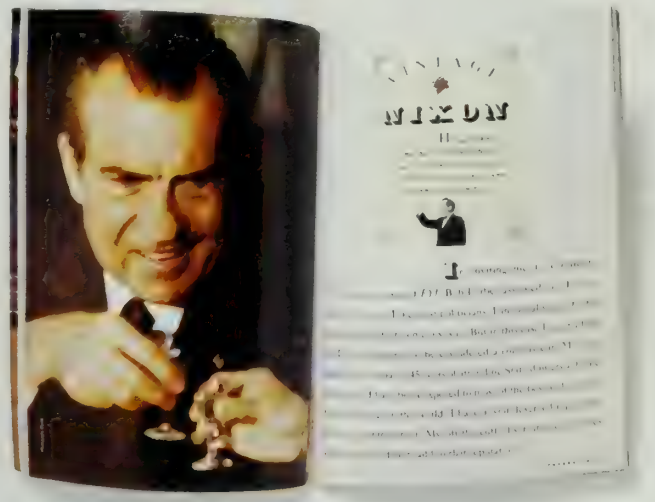
In all of the great res- rants, the wine steward ngs you the wine list. he haughtily looks wn his nose at you, you careful to look down only the left side of the list for fear t he might conclude that you are concerned about price. After your selection, he brings in the bottle and ws it to you. Once you nod, he carefully opens it, t does not serve it immediately because "you must allow ne for it to breathe."

This of course is a useless gesture because the air only ches a few drops of the wine at the top of the bottle. If u want it to really breathe, you must ask that it be decanted, but that takes more time and adds substantially to the bill.

After it has breathed for a while, he pours a bit of it into your glass. You are supposed to taste it, roll it around in your mouth, look up at him, and nod your approval. I would guess, incidentally, that only one out of a hundred people ever sends a bottle back after tasting it. When you send it back, you do so not because the wine is unpalatable, but because it is an effective way for you to impress your guests and the wine steward with your superior knowledge.

Why then go through this routine in a restaurant? Because your guests will *think* the wine is top quality since it successfully ran this gauntlet.

Incidentally, a good rule for anyone serving wine at home is to talk it up. This makes for good conversation, and your guests will think it tastes better.



Ironically, the poorest vintages for Bordeaux are American election years. The year 1968 is virtually undrinkable. If the wine steward tries to foist it off on you, file suit against the owner.

Turning to more serious subjects, my views on chilling and refrigerating wine are generally conventional. A white wine should always be chilled; a red never. After being opened, a white wine will keep for several days in a refrigerator. A red wine will not. If you open a bottle of red wine, you should use it all at one sitting.

It is a mistake to assume that all wines improve with age. This is true of Bordeaux. The best Bordeaux should be aged for at least ten years. I was shocked recently on an airline when the stewardess served a 1987 Bordeaux from a world-famous vineyard. The year was great, but the wine was not ready to drink. White wines, in general, need no aging. In fact, if they are kept too long, they turn sour.

In the case of California wines, the years are virtually irrelevant since the climate and rainfall do not vary significantly from year to year.

Because it is generally known that I like Bordeaux, I have been served some of the best in the world. It is difficult to choose between Lafite-Rothschild, Mouton-Rothschild, Château Margaux, Haut-Brion, Latour, Palmer,

Pétrus and other first-growth Bordeaux. I doubt if many would disagree with my selection of the best post-war years for Bordeaux—1945, 1947, 1949, 1955, 1959, 1961, 1966, 1970 and 1975. I do not include some of the highly rated Bordeaux wines of the '80s, because they need some more aging before they should be served.

My sentimental favorite among the Bordeaux is Château Margaux, in part because it was Disraeli's favorite. I vividly recall a luncheon at Chequers, the British Prime Minister's country residence, where I was seated next to the Queen. There were no printed menus, but I knew enough to recognize that the red wine which was served was outstanding. I discovered a year later that it was a 1947 Château Margaux, a great year, and a British favorite because they used to own the winery. For this occasion, they served, as I recall, just eight bottles to the 25 luncheon guests; the Chequers wine steward had rejected six bottles as not being up to par. My guess is that those rejected bottles eventually ended up in the drainpipes of the waiters rather than the drains of the sink.

The highest compliment I have ever received for the wines that I have served at home was from Baron Guy Rothschild, who was a luncheon guest at our home in Saddle River, N.J. After the 1960 election, a friend sent me three cases of Lafite-Rothschild 1961—generally rated as the greatest Bordeaux of the century. When the Baron tasted it, he immediately recognized it and told the assembled guests how lucky they were to have it served to them. He said that it was so rare that he did not even have any of it left in his own private cellar.

I haven't drunk a glass of Champagne in 37 years. I used to like it, but in 1953, on a goodwill trip around the world, we were served Champagne at lunch and dinner for 69 days. At the end of the trip, I couldn't stand the taste of it.

I have named some of the best years for Bordeaux. It is only fair to list some of the worst. Ironically, the poorest vintages for Bordeaux are American election years. The year 1968 is virtually undrinkable. If the wine steward tries to foist it off on you, file suit against the owner! 1956 and 1960 are poor; the 1964 is the best of the election-year Bordeaux; 1972, 1976 and 1980 range from below average to moderately fair.

In selecting wines in a restaurant, I have found that it is best to leave the choice to the head chef or owner if you have the good fortune to meet him. For example, in the early 1960s, the late, legendary Henri Soulé strongly recommended that I have a French white Burgundy rather than a German Moselle which I had selected. Sirio Maccioni at Le Cirque introduced me to Ladoucette, a moderately priced fumé blanc from the Loire. André Soltner at Lutèce proudly recommended a superb Tokay d'Alsace from his province in France. Girardet in Switzerland served excellent Swiss white wines when I visited his world-famous restaurant (in Crissier).

My advice when traveling through Europe is prob unconventional. In the many splendid, small restaur in France, Switzerland, Austria, Germany and Italy, for the wine of the province. It is less expensive, it is dom available in the United States because there is so tle of it, and it is invariably excellent.

The most difficult question that the editor of *FYI* posed is: what is my favorite wine? Like most peop find that my taste changes over the years. I used to pu the top of my list one of the finest wines in the wo Germany's Bernkasteler Doctor. I often served it at White House. But in later years, I found it a bit too sv for my taste. Montrachet has a deserved reputation being the best of the French white Burgundies. I f however, that the qualities that make it great—richn and body—no longer appeal to me. My favorite pre-d ner wine is a fumé blanc from the Loire. It has the adv tage of being less expensive and has a light distinc aroma, which I find pleasing.

If I had only one wine choose from in the balance of life, it would be a Bordeaux fact, I have half-a-dozen bot of 1961 Lafite-Rothschild, ar case of 1959 Château Marg which I am saving for very spe occasions. I also have a bottl Lafite-Rothschild 1913, the y I was born, which I hope to around to drink when I celeb my 90th birthday.

I hesitate to suggest that so of the wines I have been ser in my travels abroad have b below par. The Soviet Union, example, is famous for its vodka but not for its wi There is one exception. In 1972, at a dinner in the Ukra we were served a claret which was comparable in qua with the best French Bordeaux.

In our trip to China in 1972, Chou En-lai, who w highly sophisticated world traveler, warned me that watery-like, sweet red wine which was served in the G Hall Of The People was not worth drinking. That left no choice except the 106-proof Moutai brandy, wh Chou En-lai told me was the favorite drink for those w participated in the Long March and that "it could c anything." It was so potent that I doubt any germ co possibly have existed in it for more than a few second

On my last visit to China, in 1985, however, I served an excellent Chinese Bordeaux-type wine wh had been produced by a joint Chinese-French vent The French justifiably have an international reputat for exquisite cuisine and excellent wines. There is doubt in my mind that the Chinese, who also are knc for their superb cuisine, will some day match the Fre in the quality of their wines.

In selecting wines, most people have a tendency to l

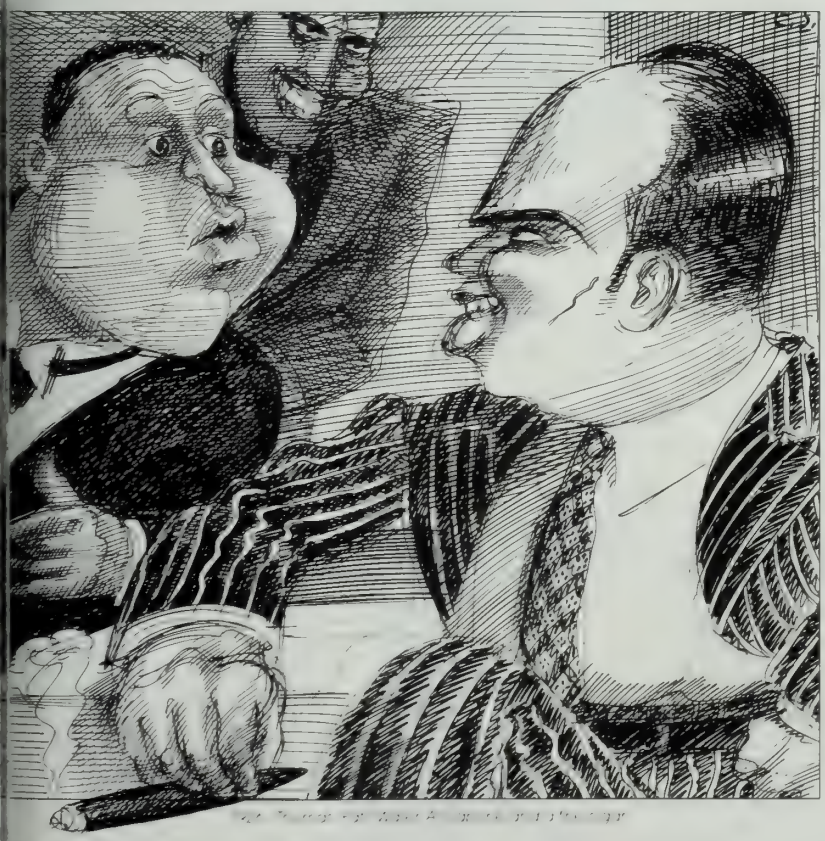
ɔad for wines with famous names and as a result over-
ɩ excellent wines at home. California wines are now
d even by connoisseurs in Europe with the world's best.
There is more snob appeal in choosing wines than in
cting designer gowns. Some wines with famous names
e been allowed to slip in quality and are overrated and
rpriced. Just because it happens to be the most expen-
wine on the wine list, doesn't mean it is the best. If
have an honest wine steward—and there are some—
him that you are not an expert and are not on an ex-
se account and would appreciate his help. If he decides
ake pity on you and give you an honest opinion, his ad-
will be worth more than the tip.

t will be noted that I haven't mentioned Champagne,
ch is without question the world's most prestigious
e. I have been toasted with it and have toasted others
h it hundreds of times. But I haven't drunk a glass of
n 37 years. I used to like it, but in 1953 President
enhower sent Mrs. Nixon and me on a goodwill trip
und the world. For 69 days, at lunch and dinner, we
e served Champagne. At the end of the trip, we
ldn't stand the taste of it.

am often asked how our world leaders cope with fine
es that are usually served to them. The answer is sim-
Never mix alcohol with serious negotiations. Nikita
rushchev had a reputation of being a boozer. But I re-
that in a four-hour luncheon at his dacha near
scow in 1959, in which we continued the "kitchen debate" that we had in public with no holds barred, he never took a sip from the wine and vodka glasses at each plate. I followed his example.

There is a famous anecdote involving Churchill and Stalin at one of the World War II conferences. Churchill wanted to have a completely private talk with Stalin and visited him at his villa with only Stalin's translator present. Both men were pretty good drinkers, and both were night owls. They ate, drank and talked until 2:00 a.m. The next day, Churchill awoke just before noon and said to himself, "My God, what did I say to that fellow last night?" He called his secretary and dictated a three-page, single-spaced letter in which he wrote, "Dear Marshal Stalin, I enjoyed our dinner and these are the issues I understand we discussed and what we agreed upon." He had the letter hand-delivered to Stalin at Stalin's dacha. Within a few minutes, Stalin's reply returned. It was brief. It read, "Dear Prime Minister, Don't be concerned about what you said last night. I was drunk too." And then there was a postscript, "And the translator has been shot."

One final warning to those who enjoy fine wines. Sometimes when you've had a couple of drinks you loosen your tongue and later believe that you have dazzled your audience with the brilliance of your conversation. When you reach this point, remember the counsel of, as I recall, Samuel Johnson's wife: "Alcohol does not improve conversation. It only alters the mind so you are pleased with any conversation." ●



First Encounters by Davidoff

A gift from "the Boys", young Fats Waller was kidnapped at gunpoint and driven to a Chicago saloon where he was served up as Al Capone's musical birthday present. Fearing for his life, Waller played piano and shared food, drink and fine cigars with Capone for three days and nights. The once innocent pianist returned home with a large sum of cash in his pocket and a grin that simply would not go away

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LENIN FOR SALE

November 25, 1991

THROUGH THE FALL OF 1991, amidst tight security (the project even had a code name—OPERATION RED BOD), *FYI*'s editors prepared a hoax article claiming that the Russian government was planning to sell the embalmed corpse of the Founder of the Worker's Paradise—in a sealed-bid auction, with a floor of $15 million. ("Estimated annual upkeep: $10,000-$15,000.") The bids were to be in Interior Minister Viktor Barannikov's office by December 31.

At 4:30 the afternoon of November 5, *FYI* editors faxed the article—minus the accompanying photo illustration showing Lenin under a glass coffee table in the midst of a cocktail party—to dozens of news organizations, which were by then starting to close their evening broadcasts and next day's editions. And went home.

Two hours later, *FYI*'s editor was exercising on his cross country ski machine in front of (his favorite) evening news show, ABC's "World News Tonight," when he saw Lenin's face appear on the screen next to a smiling Peter Jennings. This was the last time Jennings would smile for several days; though the *FYI* editor is still smiling, four years later.

Early the next morning *FYI*'s editor got a call at home from *Forbes* President Malcolm Forbes Jr., who told him, "The Russians have gone ballistic. We're referring all calls to you."

FYI's editor spent a busy day, entirely on the phone. The 50th, or perhaps 51st call (before noon) was from the BBC, informing *FYI*'s editor that Minister Barannikov had been forced to break into regular Moscow TV programming to assure an anxious nation that he was not, in fact, secretly planning to auction off the waxy former dictator, even if he was the god that failed. Moreover, said the BBC, Minister Barannikov had some strong words for *FYI*'s editor, including such phrases as "international incident," "brazen lie," and "serious provocation." *FYI*'s editor suggested to the BBC that Minister Barannikov "chill out." This caused some confusion but was eventually translated into "relax."

"You know what they really ought to sell," Editor At Large Geoffrey Norman said to FYI*'s editor one day in the fall of 1991, after the news reported that in order to raise desperately needed hard currency, the former Soviet Union was selling items from its space program and KGB Cold War archives, "is Lenin."*

Peter Jennings was very gra cious, under the circumstance He called *FYI*'s editor personall "to get [your] exact title." Th night, with the expression o headmaster informing assem that one of the students had down not the school, but himsel retracted the story. To the quite merous reporters who called him for comment, he that he had believed the story because it had come f *Forbes*, which he regarded "up to now, as a respon news organization." Paramedics were summoned t offices of *Forbes* Editor Jim Michaels, who had devo lifetime of hard work to establishing *Forbes*' reputati a paragon of reputability.

Reactions of other news organizations ran the ga from bemused to outraged. One newspaper called for editor to be "drummed out of the international press co

POSTSCRIPT: HALF A later *The Washington* reported that the Kre had been "inunda with bids "ranging f $10,000 to $27 millio the pickled corpse Vladimir Ilyich Leni

One letter read, " are...planning...our corporate headquarte and saw the need f an appropriate cente piece. Our interior designer has agreed with us, and feels that suitable arrangements can be made to house Lenin's body here."

"I don't think my would allow me to Lenin at home," re letter from a Me Lynch broker in Houston that accompanied his $10, bid. "It wouldn't go with the furniture. If my bid is cepted, I will probably donate it to our Museum of Arts. There is quite an interest here in culture."

Minister Barannikov's sense of humor had by now restored. His spokesman told the *Post* that everyone submitted a bid would receive a polite letter declining t offer, but thanking them for their interest.

Mr. Lenin was last reported still resting comfort on Red Square; the dead mouse, as it were, on the f of Russia's living room. ●

or a Vintage

's pickled (moldy?) corps

are not amused at
sacred relic of
eir hands.

new corporate headqu
T. Williams, the
ing compa

groups in Moscow, but it was the first ti
since his death in 1924 that the governme
d not organize official celebrations for th
y revolutionary who founded the Sovie
on in 1917.
Russians push full speed ahead with
smantlement of the political and ideo-
corpse of Leninism, the late leader's
remains are kept in a specially built
ausoleum in Moscow's Red Square.
in a virtually indestructi-
case that has survived
racks, including a visi-
with homemade ex-

derground control
which is kept at
like hands and
purportedly
the average

Russ

Capitalistas en puja de millones
para adquirir la momia de Lenin

iles de ofertas
riban a Moscú

de The Wash

— Estadounidenses
dos a adquirir "una nove-
eza de exhibición" han
ado ofertas que van de

For your
information

Soviet Union isn't that
desperate; well, not yet

The editor of a Forbes

Demandan rebautizar la ciudad de Ulianovsk

Forbes suscita revuelo por la presunta
de los restos de Vladimir Lenin

e (EFE y AP).—La eco-
sueños, pero no hasta el
te subastar el cadáver del
a, Vladimir
a Forbes,

Lenin firmado por Christopher Buckley, y acrobó su pu
blicación, porque le parecía una buena idea la venta de
los restos del padre de la Revolución Bolchevique.
En Moscú por otra parte, los restos momificados de
n y su mausoleo erigido en la Plaza Roja
noblado na

ral news organi-
ons bought into the
and ran stories
e selling of Lenin's
ins. Their gullibil-
came the follow-
ory. And, of course,
people never
ed believing, and
ame the story that
ld not go away.

Lenin's body
is subject of
bidding war

He's dea

Forbes ad

lews Tonight was stiffed

e sold for rubles, dollars or even Marx

Reports from Paris say David
Bowie has finally proposed mar-
riage to his longtime lady friend
Iman, the big tall model.

Oh, ..

lett O'Hara in the TV miniseries
version of Scarlett, this low-rent se-
to the novel Gone With the

clear winners Tom Selleck
p-opera star Susan Lucci

eard, who played the
hit movie Home Alone,
arged with assault after
slapped the mother of
son, New York police
rd faces a contempt-
, too, in the wake of
ite.

Put your money away, Lenin's
body won't be auctioned off

NEW YORK (AP) — The editor
Forbes Magazine supplement
n a bogus story on plans to
body said he wanted
ow outrageous a
Soviet Union

"So many extraordinary things

published a brief story, quoting

AMERICA, AMERICA

FRONT PAGE

Collectors vie for Vladimir Ilyich

MOSCOW — America
collectors have gal
Lenin's pickled
Soviet Russia.
The Kremlin has
to them from Forbes
after an item appe
satirical report.

sacred relic of the world communist
movement was up for sale. The
report, which officials here den-
nounced as a hoax, said Russia's new
are inviting tasteful pro-
posal of a cadaver
illions of

the new lobby and saw the need
for an appropriate centerpiece. Our
interior designer has agreed with us
and feels that suitable arrange-
ments can be made to house Mr
Lenin's body here.
James Bevill of Houston tried a
different tack: The body will not be
for any commercial or
pose I will see to it
located for

Not Sell Lenin?

highly re-
zations as
fell for it,
is week
Lenin's
in the
FYI,
gged
s of

A Texas welcome for Lenin

Houston man made bid for Soviet's body

BY BOB TUTT
n Chronicle

"I would like to take this opportunity to
respectfully submit this bona fide sealed
bid in the amount of $10,000 for the b
of the late premier, V.I. Lenin,"
wrote. "The body will not be used
commercial or improper purp
see to it that adequate cash
for periodic visits by qual
specialists."
Bevill, 32, a senior
for Merrill Lynch
essentially a w
all, he said, the
bid should h
"I coul
afford
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to

November an article in Forbes
arterly magazine, reported that
ally strapped Russian govern-
nviting bids on the remains of
rich Le-
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Lenin

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FROM T

BC red-faced
er Lenin report

dding is fierce
pickled remains
ssia's Lenin

vasn't
ed

to Viktor Barannikov, head of
the Russian Security Ministry,
the successor to the once-feared
KGB secret police, which has
been protecting Lenin's body
ever since his death in 1924.
ministry spokesman said
offers to purchase the
would be rejected
cans would
for their

Bogus Report Prompts Offers
To Purchase Corpse of Len

balmed rema
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Square si
death in
Gurov
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— A bogus maga-
Russian authori-
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Gentlemen, Illustrated

By Charles Stuart Dubow

March 15, 1993

HE NEWPORT GENT

sential Quality: A profound k of interest in anything that ppened after 1960.
urce of Wealth: Inherited bium and slave trade).
ubs: Watch Hill Yacht, N.Y. cht, Bath & Tennis alm Beach), Newport Reading om, Knickerbocker.
inion of Claus von Bulow: asty little man."
eatest accomplishment: inning yachting cup from ug" Bigelow in 1968.
cupation: Sportsman.
ep school: Groton.
t peeves: Nouveau riche, otorboats.
vorite tipple: G & T.
vorite expression: ne can tell he's not a Yale man."

The Southern Gent

Essential quality: Ancestor worship.
Opinion of Faulkner: Traitor to his class.
Patron Saints: Washington, Lee, George Marshall.
Marriage Status: Widower who lives with old maid sister and six beautiful daughters.
Source of wealth: None—lost everything in the Southern liberation.
Pet peeves: Estate tax, Yankees.
Education: "The University" (of Virginia).
Favorite Expression: "Thank you, ma'am, I do believe I will have another."

The Western Gent

Essential quality: Always wins fist fights (but never throws first punch).
Marital Status: Wife ran away with sissy poetry professor.
Source of income: Grandfather's sweetheart deal with the Mexican government.
Idea of fun: Driving from one end of his land to the other in under two days.
Pet peeves: Libbers, hippies, the I.R.S.
Favorite Sport: Anything involving firearms.
Cholesterol count: Off the charts.
Favorite Expression: "Get the hell off my land before I throw you off."

The L.A. Gent

Essential quality: Vitamin packs.
Source of Wealth: Spanish land grant/vineyard, early '80s Drexel Burnham investments.
Children: Live with mother in Malibu colony.
Favorite topic of conversation: Lawn care, self.
Greatest fear: Growing Latino population, home videos of the LAPD.
Pet peeve: Movie people.
Favorite vacation spot: Betty Ford Clinic.
Greatest thrill: Playing chukkas with the Prince of Wales.

The Euro Gent

Essential quality: Hobnobbing with deposed royalty (trait shared with Texans).
Accent: Vaguely continental.
Legal residence: Pied à terre in Trump Tower, Guernsey.
Prep school: Le Rosey.
Pet peeve: Not getting bumped up to first class.
Occupation: "Three or four things...at the moment."
Favorite tipple: Cristal.
Favorite product: Sun lamps, hair gel.
Summers in: Southampton (other peoples' homes).
Marriage status: Unmarried; prefers to date blonde models.

The '90s Gent

Essential quality: Gentlemanliness is learned, not inherited.
Marriage Status: Married to an architect.
Source of wealth: Made a pile on Wall Street, then started own boat-building company.
Cars: Owns Ford Explorer, but bicycles to work.
Greatest thrill: Birth of first child.
Sports: Sailing, hoops on weekends with buddies.
Favorite topic of conversati Anything but real estate.
Pet peeves: Snobs.
Favorite book: *Legends Of The Fall* by Jim Harrison.
Wouldn't be caught dead in Psychoanalysis. ●

C.S. Dubow *is a gent's gent.*

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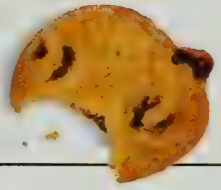

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The Place Settings of Kilimanjaro

By Sharon King Hoge

September 26, 1994

You don't need pitons and ropes to climb Kilimanjaro. There are no sheer cliffs on the northwest as-it. But there aren't any amenities her, just six grueling days of dust, rce water, outhouses, unheated ts, and the hovering threat of al-ude sickness. But doing it with artha Stewart softens the blows.

Martha and I and another friend, aron Patrick, plus two guides and porters, were climbing Africa's ghest mountain. The baggage included brush-on blush, liters of bottled water and other creature comforts. e wildflower collages and flambéed bananas were hinstorms of Martha, who espouses gracious living, n at 19,340 feet.

This will not surprise Martha's fans, those many thou-nds of aspiring hostess-who buy her entertain-g books, subscribe to r magazine and watch Martha Stewart Living" TV.

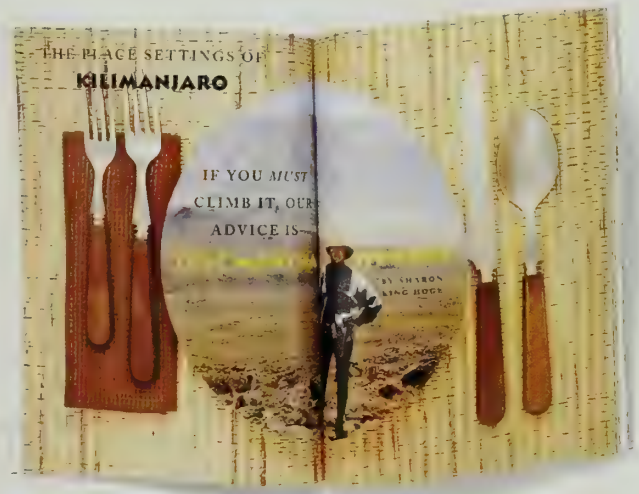
While we had eco-mically packed our old-and most expendable thes, Martha's approach s more aesthetic. "To-orrow I think I'll wear sset," she would an-unce, mulling through e collection of *Out Of rica* coordinates in her atched set of L.L. Bean ffels.

Over frilly La Perla lin-rie—"In these condi-ns you have to pamper urself to feel femi-ne"—she pulled on her cra tights. "The support so good for your circula-n." A khaki down cket—"I really love this cket." A white cashmere eater—"but not an ex-nsive one," topped off with the inevitable safari hat. "You ed the brim to keep off the sun." Defying the prevailing lection of Day-Glo sporting goods at Eastern Mountain orts—"I don't understand why they make everything in ch inappropriate shades"—Martha had purchased noth-g but "earth colors," camouflaging herself so successfully at at the summit we lost her for four hours.

The trick to getting there is *gradual ascent*, and gradually did we three ascend. Trudging along, while our feet were moving at a mere one step per second, Martha's mind raced ahead at a furious pace, devising new formats for TV projects, reacting to the environment—"*this* must be 'alpine meadow' habitat"—yearning for the ingredients to make Delta mint iced tea.

To counteract altitude sickness we had been warned to drink inordinate quantities of water. "The goal is to generate 'gin-clear' pee." So we forced ourselves to guzzle liter after liter until we came to dread it.

What goes in must come out, and alas, by early evening the rudimentary toilets in the camp would be, suffice to say, unpleasant to contemplate. We resigned ourselves to the Great Outdoors, but along the trail, the sheltering rocks got scarcer and scarcer. The only solution was, onlookers-be-damned, to drop trou almost anywhere, an act Martha performed, I can report, with characteristic aplomb.



Fun in the '90s. Sleep on the ground. Live in your Gortex clothes. Eat out of plastic. If you are Martha Stewart, you know where to draw a line. Who says you can't have dinner on damask at 19,000 feet?

Customarily, the guide you hire doubles as cook. We were fortunate to have two of the major trail guides on the mountain: Joerg Bondzio, a German who came over in 1987 to instruct the mountain rescue corps. The corps is now headed up by our other, native guide, William Francis. Their trail expertise, sadly, doesn't transfer to the kitchen, and winding up a six-hour hike with greasy, smoky fried beef and potatoes simply was not acceptable Martha Stewart living.

Martha's first approach was coaching. Squinting through the smoky fog from the wood fires in the cookhouse, she declared that "Smoke, as a flavor, is passé," and called for covers on all the pots. She was sufficiently persuasive that the Chagga porters took to covering every single dish with little inverted napkins, so that our meals were set out on the table like little tented cities.

Baffled in trying to prepare Martha's special tomato-based macaroni—"You start with a basic cheese sauce"—

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William concluded that it was easier for Martha simply to commandeer the cookhouse. Outfitted in sun goggles to help ward off the billowing smoke, she hacked away at scrawny chickens with her Swiss Army knife, transforming them into extraordinary risotto.

Appalled that our crew hadn't brought along any spices, Martha learned to say "pepper" in Swahili and canvassed the camp asking for *pilipili* until she found a porter who had some folded in a paper in his pocket. "I knew somebody would have to have pepper."

Meal preparation became a rowdy intercultural trade-off. The porters would teach us the kitchen vocabulary (*maji*—water, *kijiko*—spoon), and we'd show them how to steam the beans *al dente*.

Martha was dying to make a Tobler chocolate soufflé at 15,000 feet. "All I'd need is a bunch of peeled, clean twigs to use as a whisk." But by the fourth day, when we got to Kibo Hut, we were above tree line, and firewood was scarce. Plus we were saving our energy for the summit.

Kibo Hut is above 15,000 feet, and customarily you sleep there, wearing all your clothes (in our case, eight layers) and then get up at midnight to slog the last 3,000 feet by flashlight in order to arrive at the summit in time for sunrise.

UNLIKE THE OTHER TWO CAMPS with four-person A-frames, Kibo's accommodations are a single, drafty bunkhouse with climbers fighting over the inadequate number of cots. We were meant to go to sleep at seven, right after dusk and the communal meal of beef goulash. But a young woman in the next bunk had turned blue from the altitude, and our concern for her, plus the other guides fussing over her, kept us awake.

Meanwhile our guide Joerg, who was trying to conceal the same af tion himself, overslept, and it wa who rousted him out of bed at 1 After floundering around for ano half-hour, we stumbled out and u

We two went ahead with Will Francis, while Martha and J followed somewhere behind in pitch-darkness. The last leg is vi ally perpendicular. You zig-zag hill trudging through the h gravel "slag." Every step takes mendous effort. totally lost trac Martha except once when she ca up to us to pose f flashbulb picture

Kilimanjaro double challeng counts as a sum when you reach man's Point on rim of the crater. to reach the off summit, you fol around the rim the crater for anot thousand feet.

When the tw us reached Gilma Martha was nowhere in sight, we pushed on to Uhuru, pr of ourselves but disappointed Martha, who had wanted to sum most of all.

We should have known bet Stumbling back to Gilman's, we ca upon Martha alone. Joerg had sta throwing up and turned back, ha ing over Martha to a chain of ei young German hikers. When t subsequently turned back, Mar simply went on by herself, rea ing the summit alone, the respl dent Snow Maid Of Kilimanj Reunited between the two peaks, waited while Martha dusted her with blush, and we borrowed a ca era to record the moment.

It took three hours to get b down. Along the way, it started snow, big, thick, perfect *Mar Stewart Living* flakes. ●

Martha Stewart's approach was more aesthetic. "Tomorrow I'll wear russet," she would announce, mulling through the Out Of Africa *coordinates in her matched set of L.L. Bean duffels.*

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Caddying for the Big Guy

By James Y. Bartlett

May 10, 1993

The 11th hole at Great Waters, a new golf course on Georgia's Lake Oconee, is a short par four of just 9 yards from the back tees. The en rests diagonally on a spit of nd that extends out into the lake, d it's theoretically possible, since e hole runs downhill, for big ters to bust one down the right le, catch a favorable bounce and ch the green.

Jack Nicklaus, even at age 53, is ll a big hitter, but on the day he played Great Waters, ourse he designed and his company built, he laid up fely in the middle of the fairway. There was no perntage in trying to kill one onto the green: the pin was cked way left, out on that sliver of green extending ngerously, nakedly, into the lake.

Jack's caddy was waitg for him when he ared at his ball. "You've t 139 to the pin," the ddy said. "Slightly downll, bit of wind against."

Jack nodded and pulled s eight-iron out of the g. This was an exhition match against the reat Waters club pro, ick Dodd, and the ynolds Plantation proprty owners and their ends had come out in rong numbers to watch e great Nicklaus play eir new course. Jack rned to the crowd to exain why he had designed e long, narrow green, offring multiple pin posions along its almost -yard width, and the allenge of the water on ree sides and the nkers placed front, side d rear. "I think this uld be the signature hole on the golf course," he said. Then got ready to play his shot.

"Wait a minute," a voice said. Jack looked up. Jim Lipe, e of Nicklaus's designers, was shaking his head. "I don't ink that's right," Lipe said. He was looking at his own rdage book. "I think you're only about 128, 129 out."

Jack looked at his caddy, who whipped out his own ook, covered with scrawled numbers indicating yardage om every sprinkler head, every tree, every bunker on the course. The caddy quickly recalibrated. He shook his head.

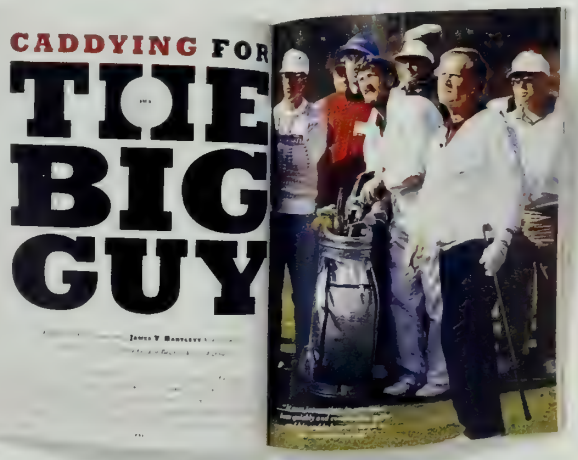
"Nope," he said. "I got it 1-3-9."

"You sure?" Jack questioned, eyebrows raised.

"Jack," the caddy remonstrated, spreading his hands in supplication. "Have I ever let you down?"

Nicklaus laughed. The people standing around laughed. Jim Lipe was still shaking his head. Nicklaus looked at the flagstick, sitting there on its tiny piece of green in a sea of trouble. "I think I'll go with my caddy," he said.

He addressed the ball and swung. From the moment it left the clubface, the ball traveled as if tied to a string that was attached to the base of the flagstick. It flew in a high, arching parabola, hanging there in the blue Georgia sky for an eternity before beginning its descent. Everyone back in the fairway held his breath. None more so than the caddy, waiting for the ball to come down. It was obviously dead on line, but would it fall short and run down the grassy bank into the lake? Or carry too long and plunge into the deep bunker waiting back there?



Asked to caddy for the best to ever play the game, FYI's golf correspondent could not say "yes" fast enough. While no man is a hero to his valet, Jack Nicklaus remained a god to his caddy.

There was a soft *chunk* clearly audible from 139 yards away when Nicklaus's ball landed on the green, three feet below the hole. It bounced forward once, then spun backwards a foot and stopped.

The gallery cheered the magnificent shot. Nicklaus turned to his caddy with a big grin and held up his hand, high-five style.

I slapped Jack Nicklaus's hand, shouldered his bag and floated on gossamer wings to the green.

Jack Nicklaus's 20 major championship victories are one of the untouchable records in sports, ranking with Ted Williams's .406 season batting average or DiMaggio's 56-game hitting streak. But resting one's immortality on a record of achievement is chancy. Does anyone remember the guy who ran the 4:00 mile? Someday, somehow, it's possible a golfer may come along and win

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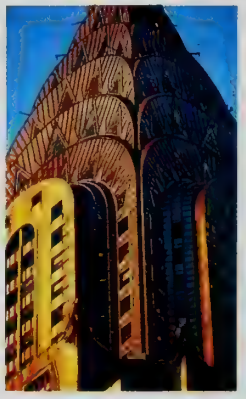
The Reverso is just one example of the flair that makes Jaeger-LeCoultre so different from other watchmakers.

The advertising may have changed, but the product has remained true to the authentic 1930's style.



As the first Reversos left the Jaeger-LeCoultre workshops in 1931, the other monument to the Art Deco age, New York's Chrysler building, proclaimed the new world.

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21 major championships, and there may come a time when people ask, "Jack who?"

I WAS INVITED, AS A MEMBER IN GOOD STANDING OF the golf writers' fraternity, to attend the grand opening of the Jack Nicklaus course at Colleton River Plantation, a posh real estate development near Hilton Head Island in South Carolina. Nicklaus was to helicopter in, hold a press conference, stage a short clinic and play the course with Jim Ferree, a longtime Hilton Head resident who now represents Colleton River on the Senior PGA Tour. Ho-hum, I thought.

"And I gotta find someone to caddy for Jack," said my PR friend. Like a trout rising to a fly, I leaped. Caddy for Jack Nicklaus? Strolling down the fairways with the greatest golfer who ever lived? Watching, at close range, the Golden Bear boom drives down the fairways, rifle irons at the pins, coax in delicate, curving birdie putts?

"I'm in," I said.

I got to the course early on that September Monday morning. I wanted to pace off the pin placements and check the yardages. Above all, I did not want to suffer the fate of Angelo Argea.

Angelo had been Jack's caddy for most of the early glory days of the 1960s and '70s. With his bushy perm and Fu Manchu moustache, Angelo cut as distinctive a figure in all those stirring tournament victories as his boss, and, indeed, became something of a celebrity in his own right. But the heady wine of that celebrity, as it often does, went to Angelo's head. During a tournament in the late '70s Jack kept missing greens, long and short. Afterwards, Angelo admitted that he hadn't walked the course before the round, a cardinal sin among loopers. Nicklaus, a stickler for detail and a demanding employer, fired him on the spot.

I pulled the pin as Nicklaus went into his famous crouch, shoulders hunched, body curling almost lasciviously over the putter. The wind stopped, birds fell silent, and when the ball rattled into the cup, I felt cold shivers up and down my spine.

So even though the folks at Colleton River gave me a pin placement sheet and a yardage book, I wanted to check it myself. Ironically, the book was produced by a company operated by...Angelo Argea.

Then it's onto the first tee. Dignitaries are introduced. Nicklaus drives the first ball with a replica of his old MacGregor persimmon driver, with which he won most of his majors: club and ball will be framed and hung in the clubhouse, sacraments to the cult of Jack. And then, we're off. Ferree's volunteer caddy, a local club pro, noting the mounting performance anxiety in my eyes, had told me that he would take care of all the pins on the greens. My job, in addition to lugging the bag around the course, would be fairly simple. Wipe the clubs clean after each shot. Rotate the balls frequently. On the green, hand Jack his putter and clean off the ball. Give Jack his yardage.

This last chore turned out to be, at first, the toug part of the job. The first hole at Colleton Riv is a straightaway par four. Jack's drive was pulled a but stayed in the fairway. I followed him down the way, along with the gallery, and, yardage book in h searched desperately for a nearby sprinkler head. Found it. It says 152. Pace off from the sprinkler to J ball. Fifteen steps. OK. Find the sprinkler hea in the yardage book. Oh no! Angelo's book has two num for each landmark: one measures the distance to the ter of the green, the other to the front. Jack want number from his ball to the front, and from the fro the green to the hole.

OK, OK, let's see: that 152 is really 133 to the less...how many was it?...15 plus 21 back to the Numbers began to swim before my eyes.

"What do we have?" Nicklaus asked, walking up.

Beads of sweat began rolling down my forehead. "ummm, geeee, uhhhh," wa professional reply. "I t it's...uhhh...157?" I pulled number out of thin air.

Nicklaus frowned. "Nav can't be," he said. "Lemme He took my yardage book, wa back to the sprinkler head, p back and announced "139."

Oh, great. Only 18 y wrong. Nicklaus took out a r iron and punched it over the the ball stopping about 15 fee hind the hole just on the fringe. I walked, mortified, to green and handed Jack his pu He made me feel better by ming the putt home for a birdie.

I continued to have trouble sorting out all the num on the next few holes. Finally, as I was fumbling arc on the fifth fairway, Nicklaus had to chuckle.

"You're a writer, right?" he chided, drawing smiles the gallery standing near.

"Yeah," I said, "Words is my life. Never was at math."

"What do you do when you get to the end of page Nicklaus wondered.

"The computer usually boots me over to the next o line," I answered. He laughed.

But that was enough for me. I vowed to myself th was going to get the right number instantly from ther On the next hole, after Nicklaus and Ferree teed off, I loped down the fairway, found the nearest sprinkler h paced it off and figured out the right number by the Nicklaus got to his ball. He must have heard the no assurance in my voice.

"How'd you get that?" he asked.

I reeled off the data like a pro. "That sprinkler is to the front. You're 15 past it, so you've got 187 to the fi

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s ten to the pin—1-9-7."

He nodded, pleased, and pulled out his club. My feel-s of self-esteem began to rise. They plummeted again en he hit the ball into a lake in front of the green.

'Was that the wrong club or the wrong swing?" I ed anxiously.

'Naw," he shook his head. "Awful swing."

Nicklaus was obviously struggling. 1992 was not a good r for Jack, mainly because of health problems. He suf-ed from an inflamed sciatic nerve and then had hip tor problems. Nicklaus had told the press conference t, save for his exhibition to open Great Waters a few eks hence, he was going to put his clubs away and con-ntrate on getting healthy; and that he would make no nmitments for the 1993 season until he got healthy.

On the front nine, he gulped down some aspirin. n the back nine, he stopped twice to do some stretch-; exercises prescribed by his therapist, Pete Egosque. : admitted to the Colleton ver majordomo who kept close ough the round that his left leg s hurting.

But Jack Nicklaus is a proud n, and he not only would not e in to his pain, but he refused let it beat him. He was not driv-; the ball particularly well, and ice he pulled his ball into trees. t both times, he recovered autifully, once making birdie. d even though this was just a endly exhibition match with Ferree, I could tell, from e first tee, that Nicklaus's competitive pride was still ong—he did not intend to lose.

On the 14th hole, holding a two-shot lead, he had a 15-oter for birdie. He studied it from both sides, and stood hind the ball for a moment. I watched his eyes narrow. ddenly, the 53-year-old Jack Nicklaus with the gimpy had transformed himself into the famed Golden Bear. is face assumed the same determined look we saw at ugusta in 1986, and Baltusrol in 1980. The spectators ust have felt the transformation, too, because they fell o a deathly silence, ringed around the green. I pulled e pin as Nicklaus went into his famous crouch, shoulders nched, body curling almost lasciviously over the putter. e wind stopped, birds fell silent, and the very electrons the air froze in their playful dance as Nicklaus stared wn at the ball for several long moments, willing it into e hole. When the ball rattled into the cup, I felt cold ivers up and down my spine.

Nicklaus shot a two-under 70 to Ferree's 76.

N THE PAR-THREE 17TH, NICKLAUS WALKED ON THE , and I handed him a ball. "Hundred-eighty-one," I told m, "And keep the ball below the hole."

He did a double take. "How come?" he asked.

"'Cause if you go past, you'll be putting downhill," I said. "Tougher putt."

"A few holes ago, I had to show you how to do yardages," he said, eyes twinkling. "Now you're telling me how to play the course?"

"A couple more holes," I said, "and I'll give you some design tips." Nicklaus laughed. Then he hit the shot about 180 yards, below the hole, and sank the putt for birdie.

FIVE WEEKS LATER, AT THE GREAT WATERS OPENING, Jack's opponent, local pro Rick Dodd, drew loud cheers from club members for a booming drive. Jack Nicklaus has been king of the hill for nearly 40 years now, and young hotshots have for years stood in line to take a crack at him.

When I heard those cheers, I felt, and I sensed in Nicklaus, an immediate stiffening of resolve. He would not allow this hotshot to knock him off his perch, by God, not after a lifetime of beating the likes of Palmer and Watson and Trevino and Player. That resolve stiffened even more after he made three bogies in a row on the fourth, fifth and sixth to fall three down. He played the last 12 holes in two under, and—but for the balky putter—it should have been six under. He beat Dodd by two.

"A few holes ago, I had to show you how to do the yardage," Nicklaus said. "Now you're telling me how to play the course?" "A couple more holes," I said, "and I'll give you some design tips."

And I believed I was part of it. I was no longer a writer, gathering material for a story. Or a golf fan, living a vicarious dream. I was part of the process. I carried the clubs, kept them clean, confidently gave my man the right numbers, handed him both new balls and encouragement at the right times. Neither one of us ever vocalized it, but we instinctively shared the same common purpose: let's kick this guy's butt.

I read his putt on 17 because I had seen a break in his putt on 16, but didn't say anything. When he missed, I felt like I had let down the team.

On the last green, standing in the late afternoon shadows, Nicklaus made his customary and gracious speech, introducing staffers who had worked on building the course; introducing and thanking the owners for giving him a great piece of land with which to work; and telling the members and property owners how proud he was of this creation. And he introduced and thanked me, his caddy.

Then he turned to his last putt: a ten-footer for birdie four. He stalked it. I stalked it. "Looks like a left edge or just outside," he said. He looked at me for confirmation. I looked into the deep blue eyes of the greatest golfer who ever lived and nodded.

The putt dropped, as we both knew it would. ●

JAMES Y. BARTLETT *has noticed a marked improvement in his own game since caddying for the Golden Bear.*

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A Spitfire At Last

By Alistair Horne

May 9, 1994

Half a century after the Battle of Britain, a distinguished historian fulfilled a lifelong dream of flying in the RAF's finest. Back on earth, he composed this elegiac after-action report.

THE SUMMER OF 1943 I spent frantically chewing raw carrots. I was 17 years old and desperate to get eyes up to standard for joining the F as a fighter pilot. As what was euphemistically dubbed a "Bun- from Britain," I had been evacu- d to the U.S. after the fall of nce in 1940. My headmaster, a fa- s educator, Edward Pulling of lbrook School, New York, himself half-English and a l-carrying Anglophile, never permitted a single Battle ritain hero to alight on the shores without dragooning into speaking at Millbrook. As a result, well-and-truly nwashed, I grew up with one passion in life: to be a fire pilot. It never crossed my mind that, at that stage he war, the odds were about 50-1 that I would end up heavy bomber, emerging—if I survived—probably a terrible complex ut destroying Dres- . But my eyesight was ginal; 20/70 on a clear . In the RAF, 20/60 the bottom limit. nce the carrots.

A dull shade of orange, uly reported to the ish Consulate in New k City. The resident tor had had rather good a lunch, and ughtfully left the room relieve himself; in absence, I memorized se crucial bottom lines the chart. I was ac- ted for aircrew, and to Moncton, New nswick, the hub of the F Empire Training eme.

Enlisted in what was morously entitled the estern Hemisphere uadron," for several eks I was—literally—top of the world. Then came the double blow. To begin h, a Canadian brunette called Irma, a dwarf with a gi- tic superstructure, rejected my inept attempts to lose h our respective virginities, seizing my fumbling hand a grip of steel and declaring with a voice of Maggie atcher: "Oh no, I'm keeping it for an officer."

The second blow came in the shape of a much more fessionally organized eye test. I flunked, and found my- f forever barred from flying that Spitfire.

FIFTY YEARS LATER, IN MAY 1993, I happened to be on an official visit to Duxford Airfield just outside Cambridge. It was the day's ops on August 16, 1940, from Duxford which prompted an emotional Winston Churchill first to utter the words—"Never in the field of human conflict was so much owed by so many to so few"—immortalized when he repeated them in the House of Commons the following week. Now under the mantle of the Imperial War Museum, Duxford contains one of the world's most impressive collections of warplanes.

Standing by the Battle of Britain control tower, I suddenly heard the musical sound—once heard, never forgotten—of a Rolls-Royce "Merlin," the Spitfire engine, taking off. But, as I looked, I saw that it had two faces in it. Surely there had never been a twin-seater version of the World War II Spit? "No," assured Ted Inman, the Director of Duxford, "you're looking at ML-407, the only genuine two-seater in existence. It flew 174 sorties in '44-'45, then was converted for the Irish Air Force—and it's the only one that survived."

ML-407 (its original, 1944 factory registration number) is currently owned by an attractive Australian widow, Carolyn Grace. Her late husband Nick was an English engineering entrepreneur, a racing driver and passionate aficionado of WWII planes. Shortly after he had restored ML-407 from an unloved and abandoned wreck, he was tragically killed in a car accident. A pilot herself, Carolyn maintains ML-407 in his memory and will be flying it in this year's 50th anniversary flypast—half a century after it marked up the first Allied kill on D-Day, 1944.

My mind began racing. I was due to come back to Cambridge in a few weeks' time to collect a doctorate. With alacrity and generosity, Carolyn responded to my pleading. It was all fixed for 0930 hours on Saturday, May 8th, just two hours before I would be getting my degree.

The Friday night I felt as nervous as any 18-year-old

pilot-officer, on the eve of his first ops—checking the weather and the barometer every few minutes. There was a fresh breeze beginning to blow off the Cambridgeshire fens, and the met report wasn't brilliant. Would the flight be cancelled? The next day—on what was to be the most exciting of my life—I woke at 0530, my stomach full of butterflies. Would we fly? A lesser consideration, would the ML-407 (almost as ancient as I) stick together?

It was a peerlessly beautiful spring day. Cambridge had never looked more ravishing. After eating a hearty breakfast (rashly, as it turned out), I drove to Duxford. There, parked alongside the old control tower, was ML-407, more than matching the beauty of the day, with those voluptuously curved wings that still make the Supermarine Spitfire the best-known aircraft in the world to every small English boy.

It is hard for a Brit even to look at a Spit without feeling deep emotion. Was this delicate, almost dainty little object really the most renowned and feared fighter of all time? The only front-line fighter to start and finish the war unbeaten?

I barely touch the stick and up she zooms, almost standing on her tail. It is so incredibly sensitive; every inch of its skin seems to be tingling with life. Momentarily I long to hurl us into a loop. Darting under the clouds, I live, briefly and happily, the sweet life of a Spitfire pilot.

Carolyn Grace helps me into my flying overalls, which are very tight. Even tighter is the cockpit; one wonders how any larger-than-average pilot ever managed to bail out alive. There is a remarkable economy of very basic instruments—air speed indicator, altimeter, artificial horizon, compass, rev counter and that crucial oil pressure gauge—little more complicated than a modern car. No nonsense like radar. From the cockpit, pilot Peter Kynsey, an immensely experienced flyer, shouts "Clear prop!" There is a first hitch; the Merlin fires once or twice, but won't catch. Could it possibly be flooded? We wait an eternity.

Then, suddenly, with a puff of blue smoke, an enormous roar and a burst of 1710 horsepower. Three tons of tiny plane—about equal to a Rolls-Royce "Corniche"—rocks and shakes. We bump across the grass. Over the roar of the Merlin, Peter is chatty and informative on the intercom. "Spitfires land much better on grass," he explains comfortingly. "Their brakes aren't as good as other planes'. I was a bit worried when they insisted on mowing yesterday—you don't want grass cuttings in the carb."

"No," I replied nervously, "that might be inconvenient."

We are ready for take-off, the great moment. "Now when I say so, I want you to stretch your right leg out as far as you can, so I can switch that fuel lever from fuselage to wing tanks, without taking your kneecap off." I obey, but, when extended, my long legs are so far out that I can almost operate Peter's pedals for him.

Suddenly, after an incredibly short take-off (about yards; in a wartime scramble, a Spit could make it, with boost, in 200), smooth and painless, we are up and a banking steeply over the M-11 motorway as it snakes tow Cambridge. Running at a gentle 1,500 revs, at just u 2,000 feet we are already registering 240 knots. Peter am me by saying that this half-century-old veteran can manage 425 mph, almost as fast as a modern commercia

A few minutes later, there is Cambridge in al glories just below us, the narrow silver ribbon of the C the leisurely punts. Are they gazing up in awe and ad ration, I wonder?

We are flying over the Tudor pinnacles of Ki College Chapel. I am reminded fleetingly of D Lawrence's irreverent remark—that they resemblec "upturned sow."

"Shall we roll?" says Peter invitingly. Before I can swer, the upturned sow of King's is above my head. It exhilarating, but immediate began to regret the two fried e What an appalling solecism throw up all over those assem academics in their black and s let robes. (I forgot the canopy closed, so the injury would been self-inflicted.)

Manfully, I kept it down. T we went into a tight bank, to more closely at my old coll Jesus. So tight that I could feel Gs pressing hard on my chee recalled how the extraordi small turning circle—880 fee had saved many a Spit during war. Classic, too, was its capa to survive a steep dive; trying to follow it, the wings Messerschmitt 109 tended to break off.

Peter, heroically, lets me take over on the way b "Watch out on the stick," he warns. "It's as light feather." Sure enough, I barely touch it and up she zoo almost standing on her tail. It is so incredibly sensit every inch of its skin seems to be tingling with Momentarily I long to hurl us into a loop.

Darting under the clouds, I live, briefly and happily, sweet life of a Spitfire pilot.

We make a perfect three-point landing on the gra 70 knots. I am down to earth with a bang. In half an h I must be back in Cambridge, in gown and "subfusk get that degree. Drunk with speed and excitement, I myself driving a cool 100 mph down the motorway, spotting a lurking cop in time. But I make it, to have hands clasped by the Vice-Chancellor as he utters the old formula. In Latin, naturally. ●

Alistair Horne *is a British historian and author* Bundle From Britain.

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Have ye never been to the west coast of Scotland, then?

Well, among the windswept islands of the Outer Hebrides, there's one small island with two names – the Isle of Lewis and Harris – where all the world's Harris Tweed comes from.

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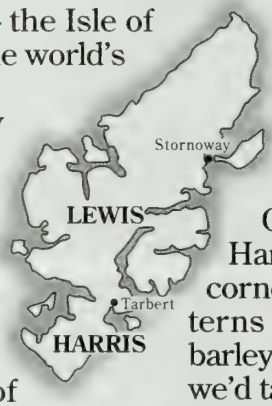

Mother Nature painted this island with a subtle palette – the grays, greens and browns of the moors, the pale sands of the beaches, the clear blues of the crashing seas.

And generations ago, the men of Harris borrowed these colors. They dyed them into the wool of the local black faced sheep. And the Harris women spun it into yarn during many a long winter evening.

It's the traditional *patterns* that make a Harris Tweed so bonnie, though. They go back a century and more – to the time Lady Dunmore first had them woven for her aristocratic friends. (They'd come to shoot grouse in the Highlands.)

The patterns are as intricate as a Harris family tree. They're still handwoven at home by crofters – 500 cottage weavers – on foot-peddled looms.

A looming shortage

Obviously, there's not much of this Harris Tweed to go around. But we've cornered some of the handsomest patterns – four herringbones and a saucy barleycorn – and promised the Harris folk we'd take all they could produce.

Our fabric is a smidge lighter than the tweeds the Dunmores' hunting parties wore. (Theirs was a 10 oz. fabric, ours 6.5-7.5 oz.) Which makes it a bit more comfortable indoors.

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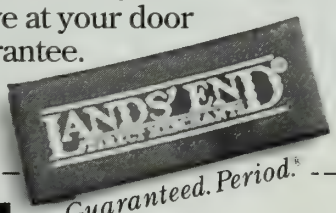

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The Portrait Thing

November 25, 1991

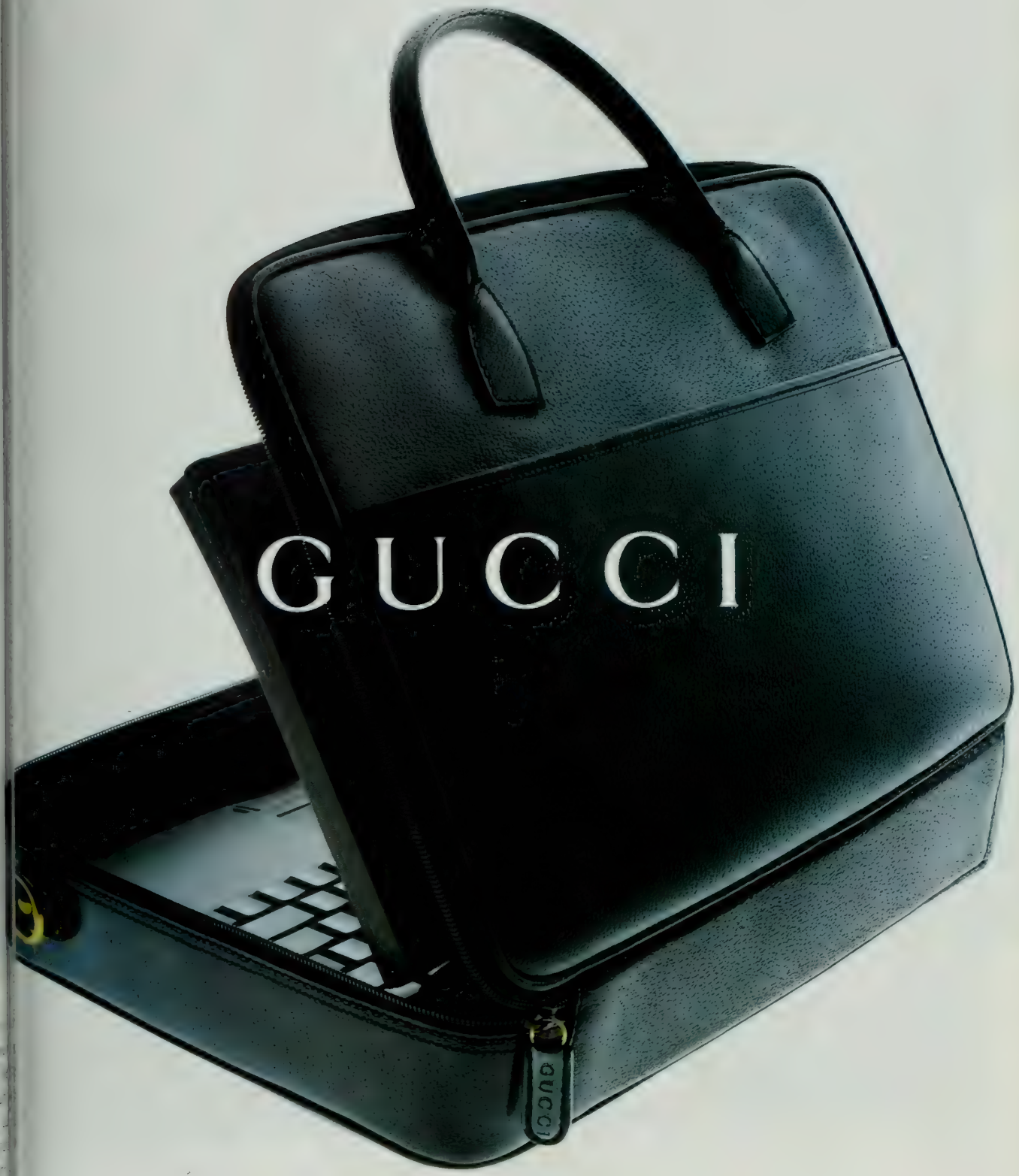
First Family
1991
Paul Bachem, *after Van Eyck*

On the occasion of the unveiling of an official portrait of then-President George Bush, it occured to us that the painting was, "but one example of a persistent trend in Presidential portraiture: dullness."

"A Presidential portrait," we went on, "ought to be part of the nation's heritage dammit—something to inspire school children a hundred years from now to a life of public service; not to make them groan, 'Who's this dork?'"

If we could draw out the oenophile in Richard Nixon, why not suggest alternatives to these dull renderings of nation's leaders. "How," we asked, "would van Eyck have r dered the Bushes, husband and wife? How would the he Frenchman David have posed the Liberator of Kuwait? Roy Lichtenstein? Suppose David Hockney were cal upon to capture with his Cubist Polaroids the inner nat the quiddity, the very soul of the Education President?"

The portraits presented here were an attempt to ans these questions. We're still working on what to do ab President Clinton.



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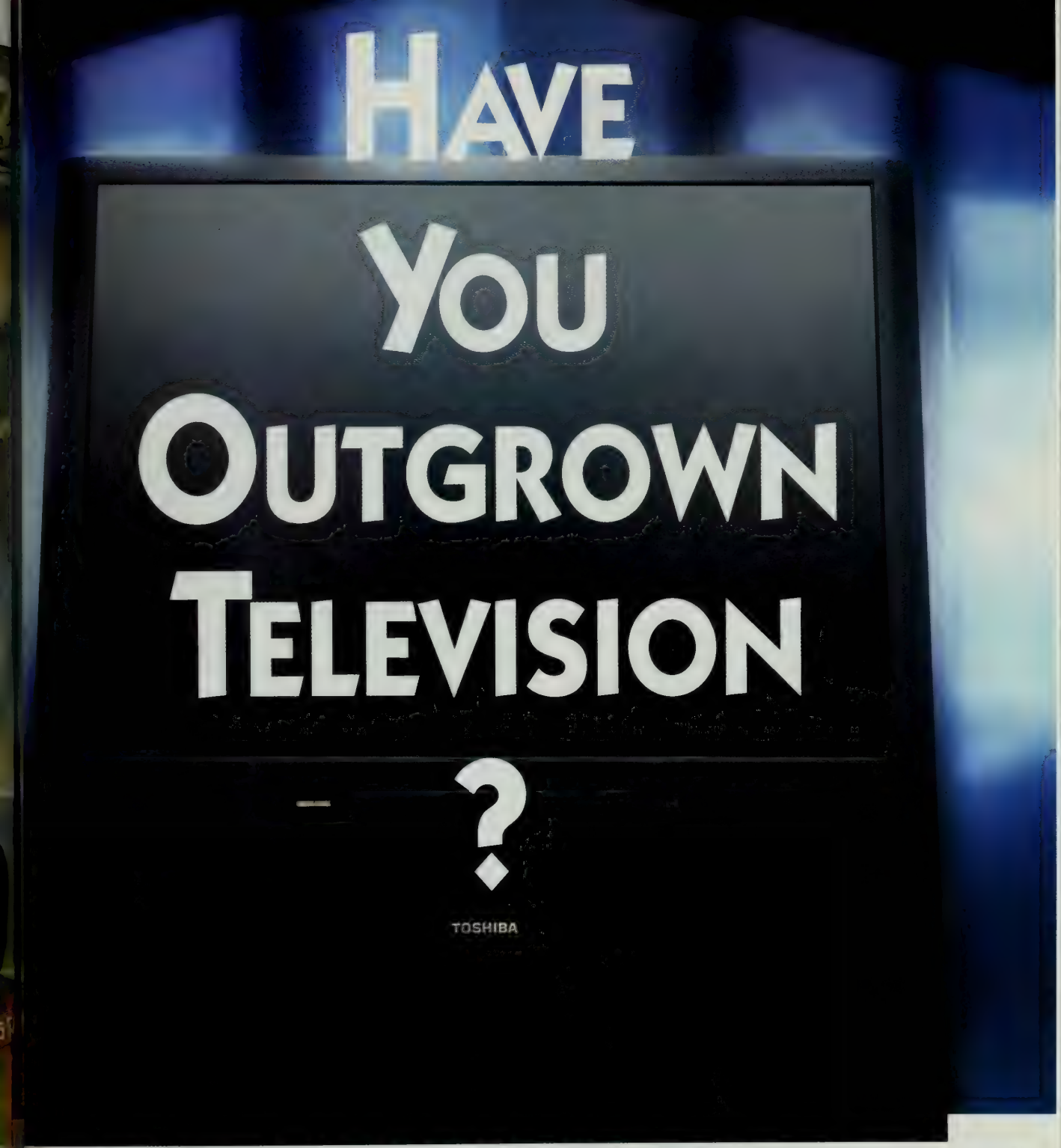
Bush At War
1991
Paul Bachem, *after David*



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Poolitical Couple
1991
David McGlynn, *after Hockney*

Shooting from the Hip Flask

By Charles Stuart Dubow

September 30, 1991

1. Arrive late—and drunk.

2. If you don't like the position you've been given, find one you like better.

3. Borrow other people's cartridges while loudly complaining that you refuse to buy them yourself on principle because they're overpriced.

4. You own the skies—if your neighbors aren't fast enough, their birds are yours.

5. Sneaky birds fly low—so yell for everyone else to duck and blast away.

6. Feel free to make suggestions to your host as to how he could improve his shoot.

7. Feel it very important to call Tokyo on business from your host's car phone.

8. Help yourself to everyone else's flasks—your aim improves consi ably after a couple of drinks.

9. Shoot at anything that move

10. Wear your lucky Day-Glo ange vest and your baseball cap says "Shotgunners Pump Better

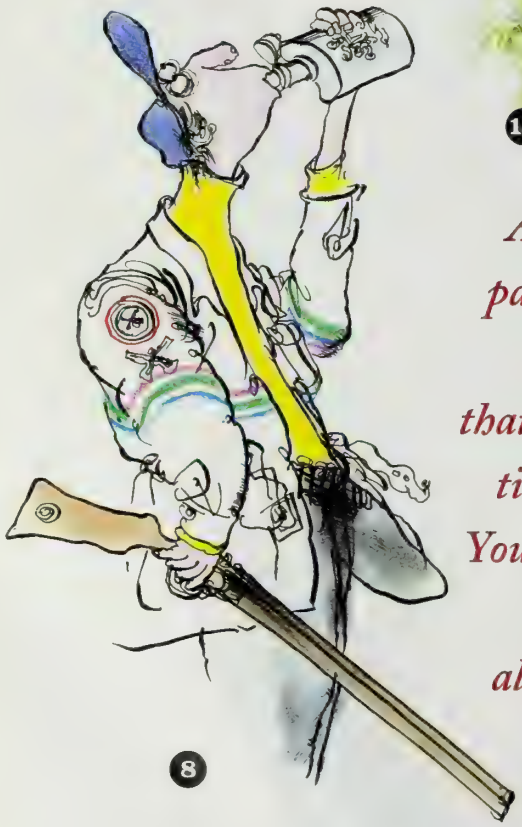
11. Use a *man's* gun—a pump tion Mossberg Persuader will do job nicely.

12. Don't bother tipping the ga keeper; he'd be insulted. If he's persistent type, only carry large and ask him to make change.

13. Even if you can't see what fire a couple of rounds into bushes just to soften them up in a pheasant is trying to pull a fast

14. Always keep *your* gun loa and the safety off in case there still a couple of birds left.

13



8

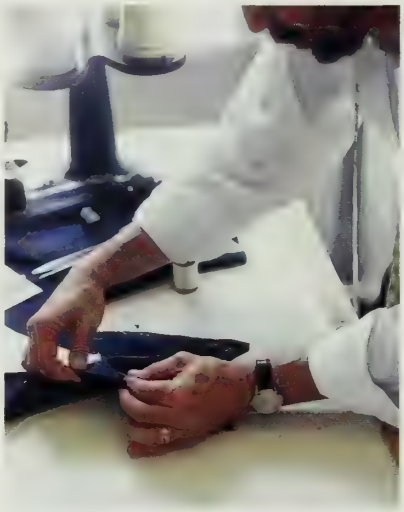
An English shooting party is an institution drenched in rituals that brings out the impertinence in Americans. You could act this way on a shoot. You could also refer to the Queen as a "babe."

12

THE SOUL OF THE SUIT
Neiman Marcus
PHOTOGRAPHY BY MARIA KOSLEDO

A DISCERNING MAN SHOWS HIS BEST INNER QUALITIES TO THOSE MOST LIKE

TO APPRECIATE THEM. WELL-TAILORED APPAREL SHARES THIS COMMON THREA



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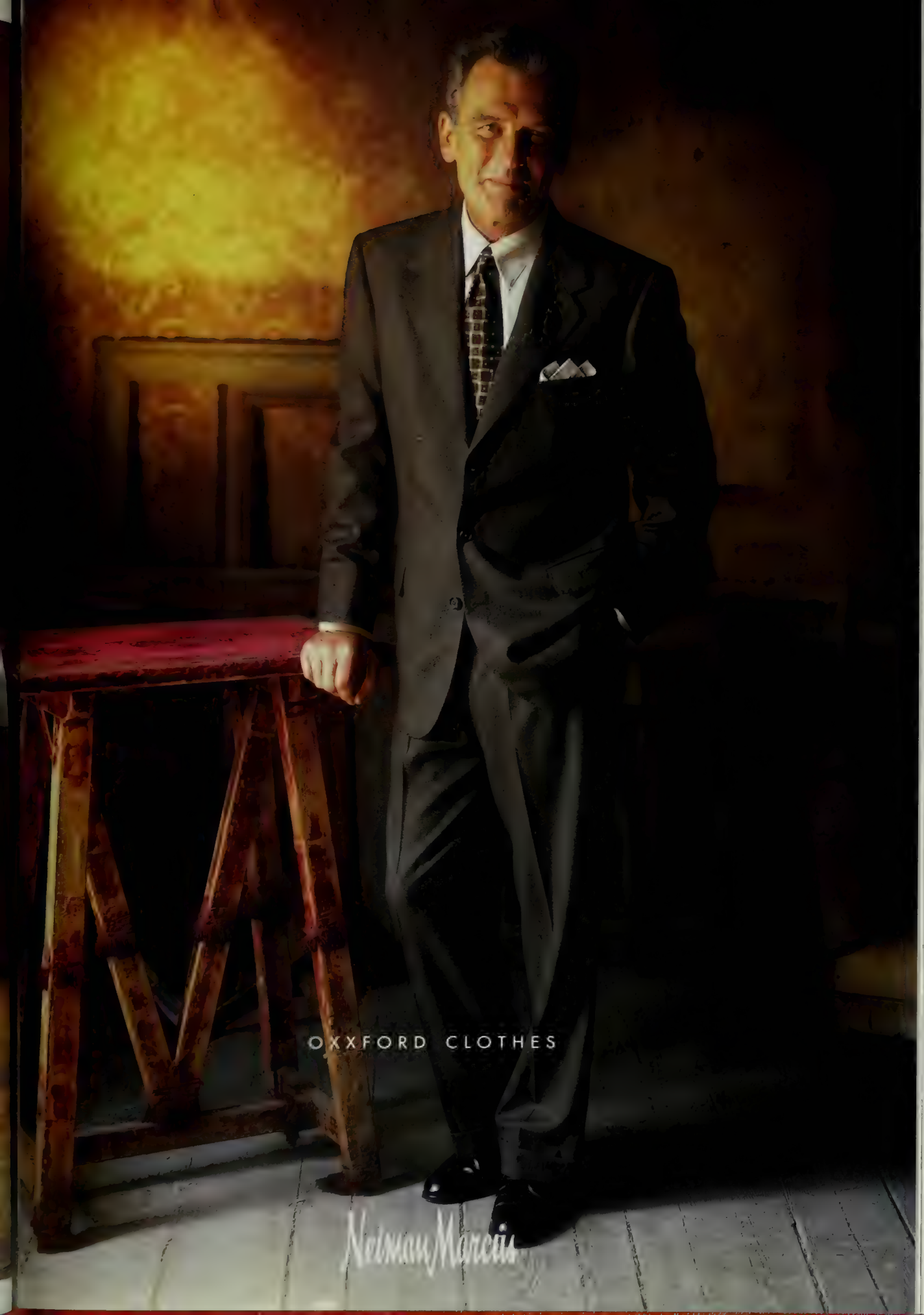
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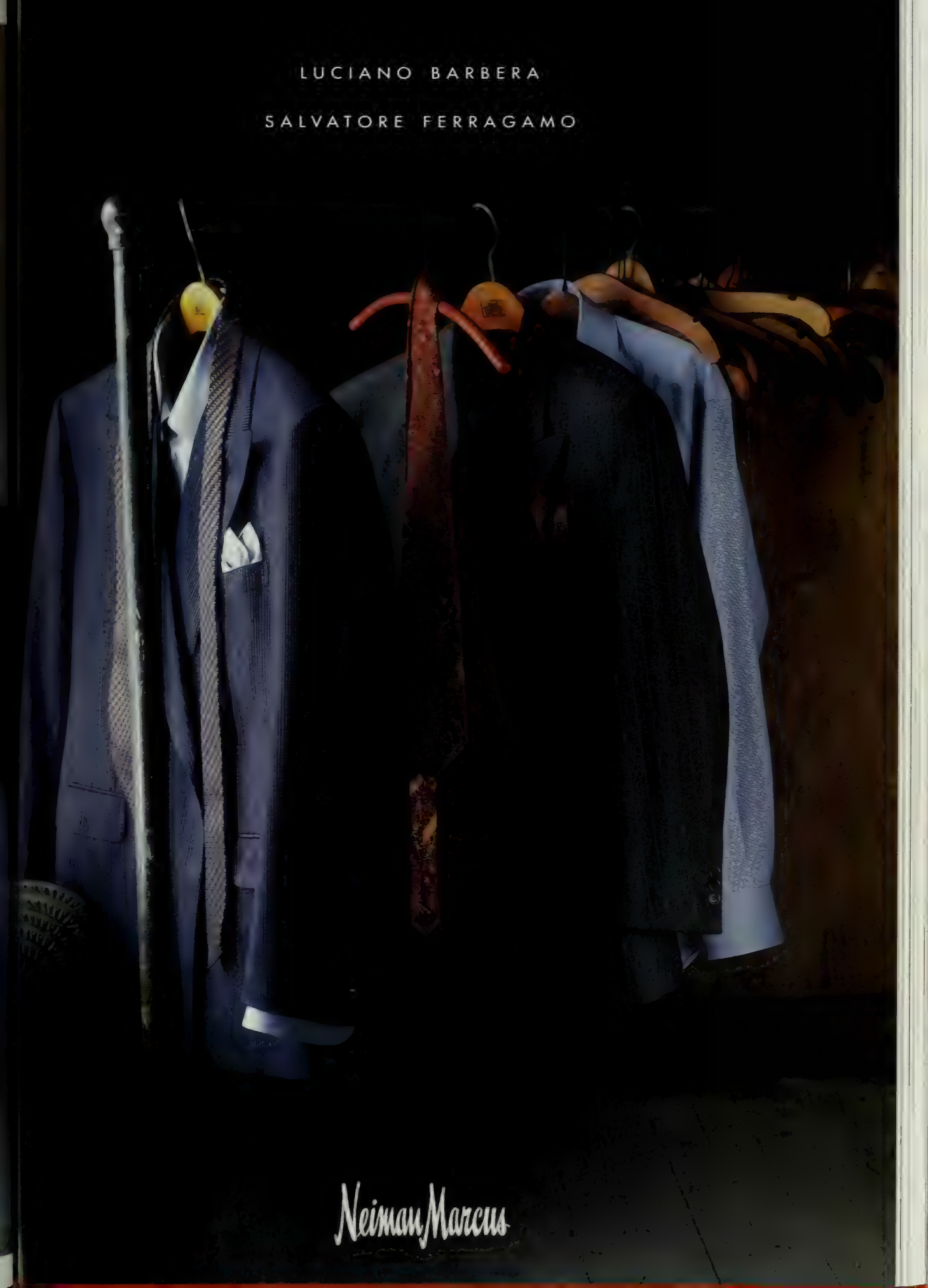

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THIN & NOW

By Terence Monmaney

September 27, 1993

N 1940, AT THE AGE OF 25, when Orson Welles hit his artistic peak with the visionary *Citizen Kane*, he was also at his sical peak. Narrow-waisted, broad-uldered, jut-jawed, he looked like arsman only a season or two off water. Over the years, of course, weight ballooned, until he took vearing tent-like shirts that hid his truly expan- self—the Incredible Bulk. Traveling by plane, he sat wo first-class seats.

The tragedy was that the pounds he garishly gained re- ded us of the status and influence he'd lost. By the late , Hollywood's former boy genius was not only as wide billboard, he had to make his living as one. Most ously he pitched Paul Masson wines, but most signif- tly he rented his name to a clothing store for tall big men. Rarely have physiognomy and ignominy n so closely linked.

To be sure, not many der lads grow up to ieve Wellesian pro- tions. And those who roach that inverse ideal t necessarily suffer for he ex-bantam Brando, from having forfeit- his appeal, now com- nds such high fees you ld think he was paid he pound.

Power, fame and for- e provide no hedge inst bodily inflation. nything, they proba- make matters worse. n any fat migrant m workers lately? It's good reason that obe- is included among so-called diseases of lization. To look at tures of the young d old Napoleon, for tance, is to be con- nted by the worrisome adox that a man could rule an empire but fail to run own metabolism.

Why do so few men fit into the britches they wore en they set out to conquer the world? Why do we stow 10 or 20 pounds that usually start trying to sneak ard in our 30s? A sampling of scientific and medical nion has turned up a few answers to this innocent ques- n. Yes, it happens to almost everyone. No, it is not an vitable aging process, like the graying of hair or the paying of tuition. The way some experts see it, you can embark on a state-of-the-art program to help avoid or reduce middle-age spread right this second if you get out of your seat and read this standing up.

You cannot be blamed for completely misunderstanding the relationship between metabolism and body composition. Practically everybody seems to have it wrong.

What you want is some sort of foolish, big-spending metabolism—one that burns energy like there's no tomorrow. But as we age, our system generally gets miserly and slows down, saving more and more energy as fat. It has long been assumed that this happens according to some predetermined plan that you can't change. But recently, Teresa A. Sharp and James O. Hill of the University of Colorado, and their co-workers established that metabolic rate is determined chiefly by the body's ratio of fat and muscle—and you can definitely do something about that.

You could go blind by reading all the articles out there about how to stay thin and fit. This one provides the real skinny. And real-life cautionary examples.

It was a big, elaborate study, important enough to get published in the *American Journal Of Physiology*, but let's cut past the chase to the outcome. It means two things. First, get moving. Second, stay moving. Physical activity is the key to boosting metabolism, and according to these researchers it does so by creating muscle and reducing fat—not, say, by resetting some internal thermostat. It sounds like a tautology: lose fat in order to boost metabolism and lose fat. But it turns out to be as logical as the notion that you have to spend money to make money. The reason is that muscle cells burn far more energy than fat cells: thus, the higher your ratio of muscle to fat, the more energy you burn, and the less fat you accumulate.

The researchers have also found that, contrary to popular belief, the high-energy burn you get while exercising does not continue for hours afterward. Soon after you stop exerting yourself, the metabolic rate falls to its resting level. So the idea that if you work out for half an hour you'll reap

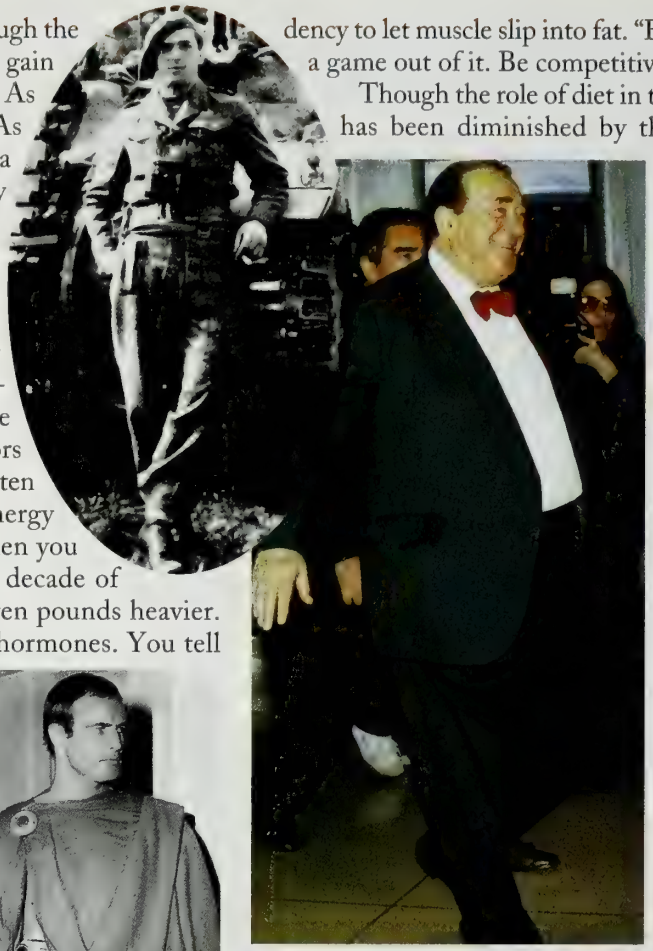
the benefits of a high metabolism through the day isn't true—unless you lose fat and gain muscle. Which, of course, takes time. As Colorado researcher Hill puts it, "As much as I advocate exercise, it's not a short-term cure or prevention. It only works over the long term."

The clinical exception aside, whether you gradually put on weight is not in your genes but in your hands. The main cause of spare tires is creeping sedentariness. Consider the horrifying arithmetic. If your dietary intake doesn't change and other health factors also remain equal, and if you burn just ten fewer calories a day—roughly the energy expended in a five-minute walk—then you will gain one pound a year. After a decade of fierce dietary vigilance, you will be ten pounds heavier. Now you are mystified. You blame hormones. You tell yourself love handles are cute. Meanwhile, you ride elevators up two flights. You drive the quarter of a mile to buy the Sunday paper. You hire a kid to mow the lawn. And then? You're forgoing the chance to expend calories, and you're losing muscle mass. As a result, your metabolic rate slips a notch. You burn even less energy. You tell yourself a pot belly is cute.

Because of the body's ruthless energy accounting procedures, Dr. George Blackburn is constantly trying to inconvenience himself. An associate professor of surgery at Harvard Medical School and also the director of the Center For The Study Of Nutrition and Medicine at Deaconess Hospital, Blackburn, who is 57, likes to hold meetings in his associates' offices, so he can walk there. On the phone or at his desk, he likes to stand—on the principle that standing burns more calories than sitting. He praises fidgeting and pacing. When the hospital installed an elevator in his favorite stairwell, he complained.

His own studies, as well as the medical literature, suggest to him that nearly all of us are woefully underactive. "Going to the gym three days a week for 20 minutes may not be enough," he says, adding that he eschews short intense workouts for sustained activity. He tries to be in motion or on his feet six hours a day. "You can beat the system," he says, referring to the body's tendency to let muscle slip into fat. "But you've got to m a game out of it. Be competitive."

Though the role of diet in this perpetual fat g has been diminished by the new emphasis physical activity, daily muffin rem a major player. A all, it may contai much as 15 gram fat, and, as the culations go, if consume only much more fat you burn each you'll put on a po and a half in a y That afternoon ch olate bar, whil is hardly danger will make its wa your waist if it comes a routine dulgence. The s goes for that tomless source useless fuel, perh the Number caloric bane of aging gent, alco Remember tha Scotch on the ro packs 100 calori glass of wine a gin and tonic 200.



Routed in the battle of the bulge: Robert Maxwell and Marlon Brando.

But the strategy for avoid unwelcome weight is self-deprivation. Inste aim for a measure of s regulation. Exploit body's free-market ergy economy. fact that tiny exce can lead to gross b changes over the l haul has an impor corollary: burning e a tiny bit more en than you need e day can result in ha changes over the l haul. Hill buoyantly s "You can turn things arou So go ahead. Spend mone make money. That way, you won't up as a spokesman for size XXXL. ●

TERENCE MONMANEY *is a writer living in Los Angel*

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Wine Tasting at the Hanoi Hilton

By Geoffrey Norman

November 26, 1990

About the last thing on the mind of a man who had just caught the Golden BB over North Vietnam, managed to eject successfully (always a relative thing) from his flaming aircraft, been captured, stripped to his shorts, beaten and threatened with summary execution...just about the very last thing on his mind was wine.

His first concern was, simply, survival; and in that field he became—a connoisseur. He learned, first, how to endure pain and isolation. He was beaten, left in irons for days, weeks and months, or "bent" in the ropes. This last was almost elegant in its simplicity and effectiveness. Loops of rope were thrown, like ceremonial bracelets, around a man's arms which were held behind him. The loops were pulled as tight as they could be. Then the man's arms were tied together. At this point, with the man sitting on the floor and his legs similarly bound, the guards would begin raising his hands, forcing his head down into his lap. Then they would keep bending his arms, and continue adding pressure until the man's arms popped out of his shoulder sockets, or he passed out, or both. Sometimes, they would bend a man like a pretzel, then hang him from the ceiling and leave him there, swinging and screaming.

The isolation and monotony were, in some ways, as bad as the physical torture. There were no books, magazines, playing cards or writing materials. Communication between prisoners was strictly forbidden, and a man could be bent in the ropes and locked in irons if he were caught trying to pass a message or talk to another POW. As much as they had to be tough to endure the torture, the POWs had to be equally resourceful to overcome the boredom.

They found ways to communicate. By tapping on walls, flashing hand signals through windows, and leaving messages written on toilet p in secret locations known as "r boxes." As the time passed, an camps filled up, men were pla chess and telling jokes by tap on the wall and listening for th turn message.

To keep their minds agile, would teach each other what knew about, well, anything. Af bold rescue attempt at Son T 1970 (the mission failed in one regard—the camp had been a doned), the North Vietnamese r ed virtually all of the prisone North Vietnam into downt Hanoi, into an evil old French colonial prison know the Vietnamese as "Hao Lo" and to the Americans suffered there as the "Hanoi Hilton."

Wine is usually for celebrations, but it can also sustain you through the worst of times, as some American aviators discovered while guests at the Hanoi Hilton. Wine was in short supply, but the POWs were nothing if not resourceful.

Here, instead of o four men to a room, c from all contact with prisoners, as many men were assigned single, large dormit like cell. In numbers, was strength and n Where two or three put together an infor ad hoc sort of "schoo some subject, now made up a whole "coll One man was appoi dean, and it was his j find out which men special knowledge in subject that they c teach to the other PO to assign classroom s and to schedule cours

Some men had t advanced degrees and able to teach course among other things trophysics, internati relations and anthro ogy. Other men were ficiently fluent in Fre Spanish, German and Russian to teach those langu Then there were POWs who knew enough to teach an husbandry, electronics, automotive mechanics, small handling and navigation, and a number of other useful including, even, meat cutting and beekeeping.

The floor of the large, dingy cell served as blackbo The North Vietnamese handed out a few invaluable position notebooks, and the men filled them in pain

ful script to conserve paper. The rds would periodically check the ebooks to make sure no pages had n removed for clandestine use.

The college operated all day long. ere were exams and grades, with a tutoring for those who were ing difficulty with the material. It a great antidote to the monotony the uncertainty that hung over men who had been in captivity for uch as six or seven years, and who not know when they would be re- ed or, even, if they ever would.

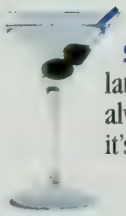
But the formal college curriculum not exhaust the POWs' resource- ess. In the evening, after a subsis- e meal—usually pumpkin soup— would gather in small groups for stmasters, charades, bridge tour- ents, movies (one man would l" a favorite film) and various elec- s. One group discussed classical sic, and a man who had grown up house where the great composers e played on the phonograph intro- ed a dozen of his gaunt comrades he works of Mozart, Beethoven Strauss by whistling or humming music. For context, he also taught lives of the composers: one night, en he described the death of zart, he wept over the sheer in- ice of genius dying young and overished.

But the most improbable of all the rses taught at the Hanoi Hilton the "elective" course in wine ap- iation.

None of the POWs had drunk thing other than rancid water or id tea since they had been shot n. Some in the course had *never* ed wine. All the same, they would her—a dozen or so of them—at ht, in the ratty gloom, in a corner the large room to learn how to nk wine, like gentlemen dressed for evening in Paris.

One man who did know some- ng about wine was Ed Mech- ier, an Air Force captain whose C had been downed by barrage , 30 miles northeast of Hanoi on e 14, 1967. Mechenbier's upbring- had made him familiar with the rman wines (he taught the Hanoi

IT'S THE CLEAR CHOICE



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IWC didn't invent flying

But the Schaffhausen-based company has done a lot to make watches airworthy, from its first special pilot's watch in the 1930s to the pilot's chronograph in matte-black ceramic in 1994.

IWC didn't invent flying, of course. The credit for that epoch-making achievement goes to the Wright brothers, who made man's first powered flight on December 17, 1903. From that point onwards, the only way was quite literally up, and soon those magnificent men in their flying machines included air force and civilian pilots, mail-plane pilots and the captains of passenger aircraft.

The role played by the International Watch Co. in aviation is inextricably linked with a problem that has concerned pilots ever since they took to the air: the fact that powered flight is, inevitably, of limited duration. Perhaps this is the true origin of the saying, "What goes up must come down."

Then, as now, one of the basic preparations for any safe flight was to calculate the distance, speed and fuel consumption, the most important variable being the flight time in minutes. This, effectively, corresponds to the amount of fuel remaining in the tank. Today, these calculations are left to the ubiquitous computer, but when aviation was in its infancy, it all had to be done by hand and the pilot had to rely on his head, a map, a compass, a slide rule and his watch.

IWC, which has had a reputation for precision and top-quality watchmaking since its foundation in 1868, was one of the first manufacturers to take up the challenge of making wristwatches airworthy. In the unbelievably harsh cockpit conditions of those days, a pilot's watch had to be extremely robust, precise and reliable. It had to be as legible in the semi-darkness of a cockpit illuminated by only a dim instrument panel as in the full glare of the blazing sun.

The whole business of reliability assumed almost existential overtones. Unlike "civilian" watches, a pilot's watch also needed some form of protection against the massive magnetic fields generated by the engine and cockpit instrumentation. A tough nut to crack, admittedly, but by 1940 IWC had found an answer that is every bit as effective today as it was back then. With its first special pilot's watch in the mid-1930s, a model that featured an antimagnetic hand-wound movement, IWC established itself as a manufacturer of watches for airborne use. It was helped along by the experience it gained from the manufacture of high-precision pocket chronometers designed for use at

The first large pilot's watch to be exclusively for military purposes, crea 1940 for the German Luftwaffe, featu IWC 52 S.C. caliber pocket-watch mov This professional timepiece was the first ture an inner "cage" of soft iron as pro against magnetic fields. At approximate same time came the handier "Mark X" n watch and later, in 1948, the legendary XI." All three watches had hand-wound ments. IWC revived its pilot's watch tr in 1988 with the semi-mechanical chronograph. This was followed in 1992 automatic pilot's split-second chronogra in 1993 by the "Mark XII," now with a matic movement and date display.

The family continues to grow with it addition: the pilot's chronograph with au ic movement and day-date display, but the split-second feature. We will now the entire series of IWC pilot's watches together with details of their movem something we trust will be of interest t than collectors.

'Mark XII" From IWC

"Mark XI" has gone, never to return, t in its place we now have the "Mark n updated version of a living legend. sign of the new pilot's watch from IWC ompleted in 1993. Though the outer ance of the watch is reminiscent of its c forebear, the main objective of IWC's pment engineers was to bring the ideal simple, mechanical watch, as epitomized "Mark XI," up to the standards allowed sent-day watchmaking technology. In spect, "Mark XII" writes a new chapter history of IWC's pilot watches.

ifications

ent: IWC, 884 caliber, automatic, adjusted positions.

ter: 26 mm Thickness: 3.25 mm

ons/hour: 28,800 Jewels: 34

ys: Hours, minutes, large seconds (can be d for exact setting), date with rapid-advance via crown.

ption of movement: Slim, modern automat- ement with bidirectional central rotor.

Matte stainless steel or gold case, diameter n, screw-in crown, water resistance to 50 sapphire glass, protected against low re, leather strap or steel or gold bracelet.

l features: Extremely resistant to magnetic because of inner case of soft iron.

The Mechanical Pilot's Watch

Good things, it's sometimes said, come in threes. After the small IWC Pilot's Chronograph and the split-second "Doppelchronograph," the IWC range of pilot's watches with stopwatch functions was extended in 1994 when the mechanical pilot's chronograph made its appearance. With a diameter of 39 mm, it is almost exactly halfway between the small pilot's chronograph (36 mm) and the split-second chronograph (42.2 mm). Apart from the lack of a split-second feature, its automatic movement and functions are exactly the same as the latter. However, the quality that really sets it apart from all other IWC pilot's watches is the fact that it is available in matte-black ceramic, which in aviation terms inevitably reminds one of Stealth technology. Never before has a wristwatch been reduced so radically to a clear contrast between the luminous figures and the black background.

Specifications

Movement: IWC, 7902 caliber, automatic, adjusted in five positions.

Diameter: 30.0 mm Thickness: 7.9 mm

Vibrations/hour: 28,800 Jewels: 25

Power reserve: 44 hours

Displays: Hours, minutes, small second hand (can be stopped for exact setting), chronograph with cumulative timing 2/8 second up to 12 hours, date and day displays with rapid-advance function via the crown.

Description of movement: Automatic movement with central rotor above the chronograph mechanism, Côtes de Genève decoration on the rotor and bridges, pearl polishing on the plate.

Case I: Matte steel, screw-in crown, two buttons, water-resistant to 50 meters, convex sapphire glass, protected against low pressure, leather strap with simple clasp and pressure-release or specially designed solid steel bracelet with pressure-release clasp.

Case II: Black, high-tech zirconium oxide ceramic, hardness coefficient 9, matte surface, steel buttons and back, black leather strap with patent clasp.

Special features: Protected against magnetic fields by soft-iron inner case.

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Hilton's German course), and a tour of duty in England had given him the opportunity to travel in Europe and learn something about French wines.

Mechenbier began with the basics. "Okay men. Let's start by talking about the label on a bottle of wine. Ben, what do you suppose all that mumbo jumbo actually *means*?"

"F--- if I know."

"Good answer. Excellent. All right, gentlemen, tonight we will learn about *appellations*. For you, Ben, that is *not* a mountain range in the eastern United States."

Mechenbier would then move on to such fundamentals as how wine is made and to the essentials of etiquette and terminology.

"All right, now," he would ask his students, "what do you suppose we mean when we talk about 'bottle sickness?' How about it, Jim."

"I'm not sure. But I've probably had it."

"Probably not. You've had every other kind of crud in this place, but bottle sickness is what happens when a wine loses taste during the bottling process. It is 'bruised' a little. But after a month or so, it comes back." To the POWs this was a reassuring message.

"What do you suppose it means," Mechenbier would ask, "if you find sediment in the bottom of a bottle of wine?"

"Maybe you ought to send it back." The POWs had experienced enough food and drink with things floating—or swimming—in it to be suspicious. Mechenbier explained how tannins and pigments precipitate out of solution and about the need to decant certain wines. It was an easy lesson for the POWs to grasp. They routinely picked weevils out of their rare bread rations. One man had tapped a message through the wall one night: "MY BREAD IS EATING ME. PLS ADVISE."

Mechenbier proceeded to a tour of the various wine-producing regions and their characteristics. He described the village of Saint-Emilion (whose wines he particularly liked) and explained how chalky slopes were better suited to merlot grapes, and hence produced a wine that was softer than those of Médoc, where the cabernet sauvignon prevailed. His students, all dressed in their thin, linen pajamas and rubber sandals, nodded and made notes. *St.-Emilion. Chlky soil...softr grapes. Snds good. Try this when back home.*

Mechenbier discussed what made a good year. At the time, the most recent great year for Bordeaux was 1961. Indeed, the best year since World War II. The men did not know it, but 1967 had been a poor year—for wir well as American fighter pilots.

"Now men, let's talk about matching wine with f Say you've got some people coming over for dinner. W wine do you serve with a nice steak *au poivre*?"

"That some kind of bug, Ed?"

Mechenbier and another man with a good knowl of the subject persisted, answering all the questions w they could. But sometimes they did not know the ans Or disagreed about it. There was no place to go for the thoritative answer, so like the instructors in other cla they relied on a device known as the "Hanoi fact"—so thing which was regarded as true until such time as the ended, and they got home and could, as Casey Ste would put it, "look it up." A Brut, for instance, conta 2% sugar or less until the spring of 1973, when the mer turned home and discovered that it was actually 1.5%.

None of the POWs had drunk anything other than rancid water or tepid tea since they had been shot down. Some had never *tasted wine. All the same, they would gather—a dozen or so of them—at night, in the ratty gloom, in a corner of the large room, to learn how to drink wine like gentlemen.*

The men learned eag enough, but still, there w problem. Mechenbier reali you can only go so far merely *ing* about wine. At some p the stuff simply must be dr tasted, appreciated and, by described. So, in the dim, m cell, Mechenbier and his stud began to conduct tastings. would describe a wine in as m detail as he could manage, ploying the vocabulary of connoisseur, which seems o place and stilted anywhere, nowhere more so than in Hanoi Hilton. Could anythin this world actually be *piquan velvety*?

"All right men, tonight w going to try a St.-Julien. Co from right smack in the heart of the Médoc district. what do we know about Médoc?"

"Rich. Woody. Lots of tannin when young."

"For somebody from Elba, Alabama, that's not bad, Okay, raise your glasses."

The men would raise their dented, rusting tin dr ing cups as though they were fine Baccarat crystal.

"First, check the color. Red wine, as it ages, tend lose some of its blood-red color and become clearer. the other hand, white wine becomes darker.

"Now swirl it around in your glass and check the quet. Breathe it in. Your nose is as important as tongue." The men would swirl the imaginary wine in cups, sniff and nod.

"How would you describe the bouquet, Jim?"

"A little like, uh, *cedar*?"

"Outstanding. S--- hot. You'll do well back in world. Okay. Now take a taste. Bite on it a little. Y notice that it's a little on the light side, even thoug

plenty of body...."

The class would sip and agree that, it *was* a little lighter than some of other Bordeaux they had tasted. still, all in all, a *hell* of a big wine.

For Mechenbier, the wine of his ams became a Schlangengraben, ch in good years is one of the ex-tional German rieslings. It was cribed to him, by a fellow oeno-le, as sweet and fruity—the word vet" seemed unavoidable—and chenbier made a note, on the back is own personal copy of the Paris ce Accords, to buy a bottle when got home and try it.

That day finally came, on February 1973—2,093 days after he was t down. He was reunited with wife, debriefed by intelligence of-rs, and examined by doctors. For first few weeks, there was no time wine or much of anything else. en, when he was finally released m the hospital in Dayton, Ohio, went out looking and found, to his surprise, a man in town who had e Schlangengraben in stock.

"I took it home and chilled it," he embers now. "I was like a kid ting for Christmas, until the tem-ature was right. Then I poured e in a nice, clean, fluted glass, and rank it. It was just as good as I'd gined. Maybe better."

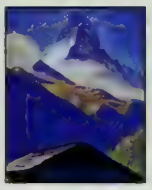
Years later, at the Paris Air Show, echenbier had dinner with a man ned Henri Suisse, then chief test ot for Dassault, the French avia-n company. Suisse, preparing to der the wine, asked Mechenbier he had a preference. Mechenbier de a suggestion or two, and Suisse s impressed with his knowledge. ey talked for a while, and when isse drew a map of the Bordeaux ion on the tablecloth, Mechenbier s able to locate many of the towns, d a few of the vineyards, with only e or two "Hanoi facts." Then he plained.

And then they drank. ●

OFFREY NORMAN is FYI's editor large. His book Bouncing Back *ounts the experiences of several Viet-m POWs.*

William Doyle GALLERIES

AUCTIONEERS & APPRAISERS



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Eddie Rickenbacker, WWI, 1917
The fighter pilot whose legend inspired all the other legendary fighter pilots, Captain Eddie was a race car driver who enlisted in the Army when the United States entered World War I. For a time, he was General John J. Pershing's driver—a job he found insufficiently challenging. So he went to flight school; commanded a fighter squadron; shot down 22 German planes; won the Congressional Medal of Honor; and became a national hero.

After the war, he prospered. First, as owner of the Indianapolis Speedway; then as president and chairman of the board of Eastern Airlines. During WWII, on an official errand, his plane went down in the Pacific. The gods, as usual, smiled on Eddie Rickenbacker. He and seven others survived 24 days at sea. He died, peacefully, on dry ground, at 82.

Joe Foss, WWII, 1942
When he graduated from the University of South Dakota in June, 1940, Joe Foss hitchhiked to Pensacola, Florida, where he learned to fly for the Marines. He'd already had flying lessons—paid for them with the money he made working at a filling station in Sioux Falls—but the Marines had their own way. Two and a half years later, he was flying out of Henderson Field on Guadalcanal. In 63 days, he shot down 26 planes—20 of which were Zeros, vastly superior to his Wildcat—thus becoming America's first ace of the war and a hero when the country badly needed one.

He was awarded the Medal of Honor and became a big hit on the war bond circuit, which led to a career in politics. He served terms as state representative and governor of South Dakota, commissioner of the American Football League in the years when it challenged the NFL, and president of the National Rifle Association. Foss is good at ground combat, too.

5

Knights of the sky who did okay on the ground

Chuck Yeager, WWII, 1944
Before he joined the Army Air Corps in 1941, Chuck Yeager had never even seen an airplane. By the end of the war, he had shot down 13 German fighters, one of them a jet. But all that was just so much prelude to what would become the Yeager legend.

On October 14, 1947, he became the first man to fly faster than the speed of sound.

ACES

s event took place in obscurity, but Tom Wolfe later d in the deed, the style and the aviator the purest dis- ion of what he called "The Right Stuff."

ame and money followed. (How many people bought o Batteries because Chuck Yeager told them to?) His was a best-seller. Sam Shepard played him in the ie. Not bad for a hillbilly from West Virginia who was ing a cool $283 a month when he flew through the d barrier to glory.

nk Gabreski, Korea, 1952

German invasion and conquest of Poland inspired nk Gabreski to join the Army Air Corps in 1940, n he graduated from Notre Dame. "I was Polish and nted to fight Germans. I figured we'd be in it, sooner ter, and I wanted to be there when it happened."

lying a P-47 Thunderbolt, Gabreski shot down 28 man planes. He returned to civilian life, briefly, after war, but was soon back in uniform, back in the air, back in combat. Flying jets, he was credited with 6 1/2 MIG kills in Korea, making him an ace in two wars. He retired from the Air Force in 1967 and went to work for Grumman on Long Island.

"There was a big snow storm in 1978," he says, "and for a week, none of the trains moved. Big scandal. The governor, Hugh Carey, sees he needs to check his six so he appoints me to head the Long Island Rail Road. He'd read a newspaper story about me getting inducted into the Aviation Hall of Fame, so I guess he figured I was good politics. I did it for three years. I focused on maintenance. I'd learned you are only as good as your ground crew. They don't do the job, you don't fly.

"After three years, they were starting to play politics with me. I liked the railroad business, but I didn't need that. I told them to stick it."

Randy Cunningham, Vietnam, 1972

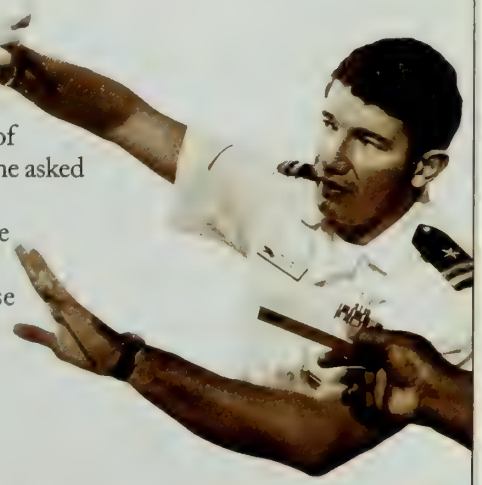
"Duke" Cunningham shot down three MIGs in one hop off the *U.S.S. Constellation,* including a North Vietnamese pilot with 13 American kills. That dogfight lasted for 4 1/2 minutes, an eternity in jet combat. Cunningham's five kills made him the first American ace of the Vietnam War (there were only two).

After the war, he was an instructor at the Navy's "Top Gun" school. He also flew against the students, in planes painted to look like Soviet aircraft. "We flew Russian tactics—Polish heart attacks, high-low pairs, and that kind of stuff. I got pretty good at it." Cunningham retired after 20 years of service, and in 1990 ran for Congress. He won. Won again. And, in 1994, was re-elected once more.

Two more and he is an ace.

He may be the last of the American flying aces. Certainly he is among the youngest. At a reunion of all American aces, someone asked him how it felt.

"I can't believe it," he said. "In the same room with Joe Foss and those guys. I'm just collecting autographs." ●



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5 By 40

A magazine can be like a good party, which is to say, a place where you'll run into interesting people and few of them alike.

We asked a few friends and people we admire to think about the number 5. (It seemed to make more sense than asking them to think about 4 or 6.) We've already used the word eclectic somewhere else to describe our contributors, and someone else is using the thesaurus, so we'll just call these contributors a mixed bunch. A distinguished mixed bunch.

Left wingers, right wingers. Several Ph.Ds and a beauty queen (of the brainy variety). Novelists, scientists, critics, comics, biographers (two, in fact, who happen to be married to one another). A former president of the U.S., and a man who helped bring down a president of the U.S. An international Casanova who does the bossa nova. A famous interviewer. A gossip columnist. A woman who advises 90 million people, every day. A traveler, a gunsmith, a screenwriter. Make that two screenwriters, baby. The creator of the most famous catch of all. The woman who advised Jackie Kennedy about style. A man who wrote a book that created a tourist boom in an American city and in the process unleashed Lady Chablis on the world. Two historians, who not only found out what happened, but know how to tell a story. America's greatest race car driver. A knife maker. A man who's played in every big league there is, from the NFL to the PGA. An artist of the written and painted word. And—to use a line we've been using on our covers for five years now—more.

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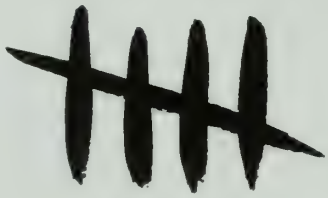
My Life in 5s

One man's alternative to decades

y Christopher Hitchens

When did good old five be-
e my magic number? And how did it disclose its
m? Partly by *not* being a magic number; none of
mystical and numerological threes and sevens and
ves. Five was as plain as your digits and piggies and
tisfying and solid—like the five continents them-
s (which also, like your palm, had once been folded
gether). I didn't know, then, about the arcana of
Pentateuch or the perils of the diabolic pentagram;
e, a fiver was a great luxurious blue bank note and a
barred gate, a solid and reassuring piece of rural fur-
re. Enid Blyton's "Famous Five" formed a jolly team
dventurous children and the old
ker chocolate firm of Fry's sold an
est-to-goodness bar called "Fry's
Boys," which on the wrapper
ved boys' faces in every expression
n triumph to tragedy and which,
n you peeled the wrapper off, repli-
d the faces on the chocolate. You
d get it from a machine on a railway platform by
ing in a silver sixpence, which would now be 2½ new
e or (what bliss) two for five.



The mark of time.

he Five-Year Plan had passed me by. No one I knew
ever had to take the Fifth. Everybody I knew wanted
e Fifth Avenue. Every now and then, you would hear
ors of the Pentagon. But otherwise, all was fine and
ly. Danny Kaye blew his horn in *The Five Pennies.*
tiplication tables, which had to be chanted aloud, be-
e easy-peasy when you got to the five-times-five-is-
ty-five stage. It had something of the symmetry of the
ameter, which, as my classics master explained, could
mbic or otherwise. (He told me, and I have never for-
en, that "Agatha Christie" is a perfect pentameter.) As
nbled my way toward man's estate, a few complications
of course obtrude themselves. "A bunch of fives" was
uckle sandwich; a fisticuff in the playground where the
hies lurked. "He'll fall in five," toughly remarked Mr. Cassius Clay, dark prince of these fisticuffs when practiced as art and science. This was a more alarming world. There was also furtive talk of someone named "The Widow Hand and her five effing daughters." I had to take five when I worked out what *that* portended. On "Juke Box Jury" our favorite judge was an adenoidal minx named Janice Nichols, who awarded the top score to all new discs and was finally asked to make her own signature recording, entitled "Oi'll give it foive." As innocence faded, the mop-tops of the Fab Four gave place to the suggestive shagginess of the Stones, whose breakthrough album was called "Five By Five." I think, without checking, that "Get Me On Flight Number Five Oh Five" was on that very record.

Could five-card stud be far behind? Could one's first fifth be long delayed, in its brown bag of shame? Brubeck and Joe Morello (on drums) did "Take Five." Jack did *Five Easy Pieces.* Peter Shaffer did (to murmurs from the stalls and confused reminiscences of the widow) *Five Finger Exercise.* Five is still the cocktail hour, now that I am my own boss. It's when those fifths can cut their dash.

So it's brought me this far, and it'll see me through. I have watched various Fifth Men endure their unmasking. I have wished to emulate David, as he "chose him five smooth stones out of the brook" to skim at Goliath. Odds being what they are, it's the five wise virgins rather than the five foolish ones who have crossed my path. Yet I do not repine. As the five senses slowly fuse into one, I can watch my bounding son as he exchanges the high five with guys I couldn't shake a stick at. I now prefer to measure decades by halves. It postpones the "Full Fathom Five" moment, and the turning up of those two fivesomes of piggies that have carried me so sportingly along. ●

Christopher Hitchens *writes the "Cultural Elite" column for* Vanity Fair.

There are no natural-born golfers.
No man's ever entered the world
with the innate ability to drive the green on a par-four.
Or hit a one-iron 280 yards.
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Desire to sweat.
Desire to learn.
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HE BAD SHOTS OF PRESIDENTIAL GOLF

In golf, as in politics, you don't always hit them long and straight

BY GEORGE BUSH

"Five" is a key number n it comes to my golf game, for five shots stand out, as k back over 50-odd years of playing golf. And I use term "odd" advisedly.

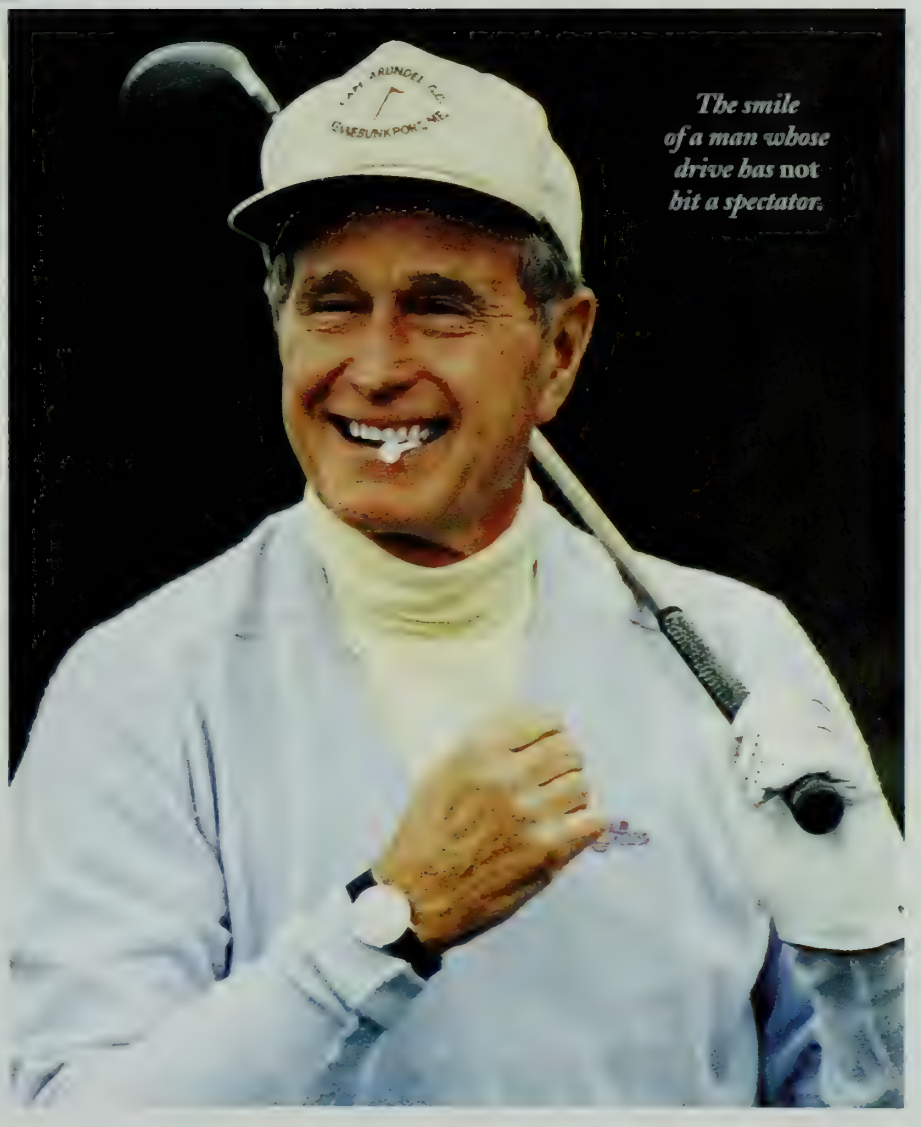
do not like playing in celebrity games. I clutch up. Last year I ed in the AT&T, formerly wn as the Crosby. Because I in the same foursome with e Irwin and Arnold Palmer, crowds were huge and midating. I hit four spectators hree days. Only one was hit d. The rest were wedge shots never got airborne—vicious drives that flew across the n. In spite of this tawdry per- nance in 1994, the Committee ted me back this year.

18th hole at Pebble Beach, bruary 4, 1995.

ront of the CBS eye, golfers all ss the nation watching, I hit third shot, a three-wood, into deep sand trap to the right e green.

My limited repertoire does not ude a reliable sand wedge shot. this time I overcame excessive cular tension brought on by of ridicule, and the wedge ed the ball out of the sand onto green—close enough to the cup me to make par 5.

The announcer said something ut "a fine finish for President Bush." Palmer and Irwin, after recovering from the shock, gave me high fives, and I went past the adoring crowd, hands clasped over my head.



The smile of a man whose drive has not hit a spectator.

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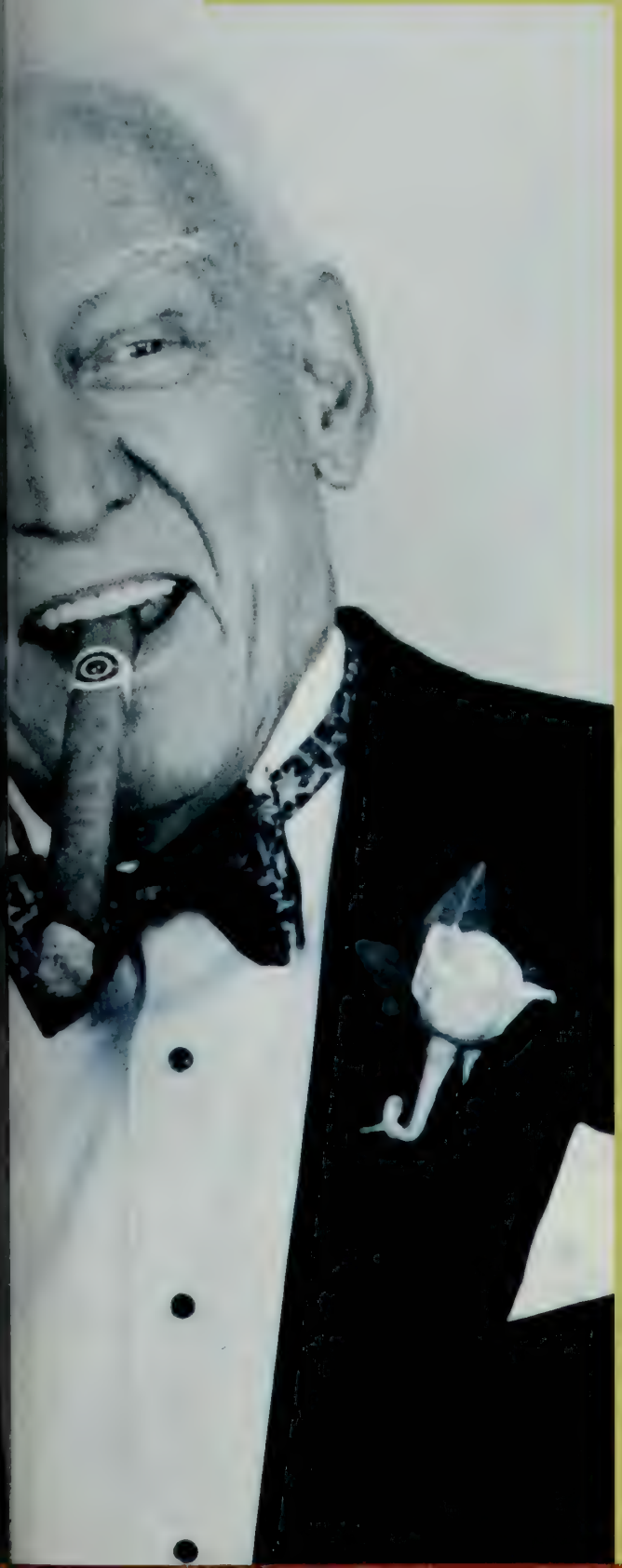
And They Thought You'd Have Nothing in Common.



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2 Deerwood Club, Houston, March 27, 1993.

I hit this memorable shot playing in the Doug Sanders Pro-Am. I had just returned from Washington, and I didn't need another setback. I had just lost the election for President of the U.S.A.

My morale was down, but I played in a group that included Dan Quayle, Doug Sanders, Chi Chi Rodriguez and PGA Tour Commissioner Deane Beman. I stepped nervously to the first tee. My drive was a darting duck hook that almost took a spectator's head off. The crowd cheered and laughed.

My next shot was a seven-wood. I addressed the ball, looked up and all I could see was a funnel of grinning faces. Fearing for their safety, I enlisted the marshals, who told the crowd to get back. They moved a little.

I normally slice—I prefer to call it a "power fade"—but that dart hook off the tee worried me; and, darned if I didn't hook it again. This time it was a line drive that smacked a man holding a baby in his arms. He was only 40 yards away.

I rushed to the scene of the crime. The man was still standing. The baby, new to golf, just smiled. I knew the guy would sue me. For sure his buttocks would be blue. I could only hope a vein had not been ruptured.

I sent the man a "so sorry" note, mailing him a golf ball. He wrote back that he wasn't a golfer—he was a supporter and had just showed up to welcome me back to Houston.

3 Metairie Country Club, Louisiana, circa 1958.

Playing in my first pro-am ever, I was teamed with long-hitting pro Mike Souchak. In those days I played to an 11 handicap, far better than my current 20.

But I got the shanks. Souchak, a gallery favorite, had drawn big crowds. On 16, near the green, I shanked a nine-iron—an embarrassing, 90-degree-angle shank. The gallery smiled. No one laughed out loud though.

On the 17th I got off the tee well. My next shot was another iron. I shanked again. You see, when you shank once you are paralyzed, fearful that another shank awaits. This time the handful of fans that watched my shot laughed out loud. I was humiliated. On the last hole, I managed to get off a decent drive once again. Addressing the ball for my short approach shot, I noticed a cabdriver with his number and ID sticking in his cap. He had parked his cab a couple holes back and with his buddy had followed our mat As I got ready to swing I heard him say to his friend, "H you gotta watch this guy. He really stinks." I shanked t ball again. I put it in my pocket and went home, back West Texas, far away from the shame.

4 The Old Course at St. Andrews, Scotland, September 22, 1994.

Last summer, as the newest member of the famed Ro & Ancient, I was asked to play in the three-ball meda was paired with the out-going Captain and the incomi Captain who, in keeping with the great traditions at the & A, had just "driven hims in," a fine soaring drive tl drew cheers from the twee members of golf's most pr tigious club.

Playing better than I n mally do, I carded a 42 on t front nine. No "gimmes" St. Andrews, at least in t famed three-ball medal. N everything had to be ho out. In the trap? Stay there day if you must, but c your real score.

When we finished the f nine I was thrilled—a 42, *honest* 42. I became a bit co cerned though when I he a seasoned onlooker sayi "This man shoots a 42 and has a 20 handicap? The banc

I accommodated this c tic by getting a seven on t 10th hole and an eight on number 11.

But Shot #4 happened on the final hole.

I was lying two on the front edge of the 18th green. I needed to do was get down in two putts for a respecta 89. A good day's work for me and my 20 handicap. T was not to be.

My first putt went up a hill and rolled miles p the cup. My return putt likewise flew by the cup g ing rapidly back down the hill. The gentry, havi come out of the clubhouse to watch our finish and spectful of my having been President of a friendly cou try, tried not to laugh.

Shot #4 came next.

My third putt was a disaster. It missed by a scream mile. But the next one found the hole. I had four-put the 18th at St. Andrews. It was ugly out there.

There's something about golf that makes you vow surrender, never to play again; something that take clean-talking gentleman and makes him talk sm Something that makes even a gentle needle from his w feel like a rapier thrust in the heart. But you come bac

There's something about golf that makes you vow to surrender, never to play again; something that takes a clean-talking gentleman and makes him talk smut. Something that makes even a gentle needle from his wife feel like a rapier thrust in the heart. But you come back.

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5 Indian Wells Country Club, near Palm Springs, California, February 15, 1995.

Bob Hope called me this year asking me to play in his famed tournament. I love the guy, so I accepted. The next thing I knew I was to tee it up in a fivesome with President Clinton, President Ford, Bob Hope and last year's pro winner, Scott Hoch.

I showed up—my first big mistake. The round took us six hours and 20 minutes. I play badly, but at least I play fast. My record, albeit in a cart, is one hour and 24 minutes—Cape Arundel, 1991.

But I can't place blame for Shot #5 on the outrageously long time it took us to play 18. No, Shot #5 happened on the first hole. I got a respectable drive, down the left side, at fairway's edge.

I pulled out my trusty three-wood, got the ball nicely airborne, smiled as it soared in the direction of the green, with but a little feather on it. Then it happened. The ball smacked a tree, and at right angles, like a bullet, went into the crowd.

When I got to the scene of the crime, a lady lay bleeding. Her glasses, one lens out of the frame, lay nearby.

I leaned over to console her. She recognized me and tried to smile. I said, "I am sorry." Nothing else came to mind. A few spectators laughed: but most, seeing this lady, Mrs. Earley, in such distress, looked rather crossly at me. It was only later that I felt I should have said, "The tree did it. I did not hit Mrs. Earley. The bounced off a tree." This sou weak, I know, but I got much com from this explanation as the ma wore endlessly on.

I didn't know whether to for a med-evac chopper to app or whether I should play on. I pla on, confessing to President C ton that I had clobbered Mrs. Ear I won't say he see ed happy. Mayb was a "There for the grace of go I" feeling. Pr dent Ford, well-s soned in these matt was genuinely unc standing.

I didn't know whether to wait for a med-evac chopper to appear or whether I should play on. I played on, confessing to President Clinton that I had clobbered Mrs. Earley. President Ford, well-seasoned in these matters, was genuinely understanding.

All the way aro I kept worrying ab Mrs. Earley, who have learned can see. Indeed she is b playing golf, a go hearted celebrity in her own right.

Oh yes, there P.S. to Shot #5. the 12th tee, the cr had thinned out so what. Sitting in a f ing chair was a with an ugly cut ab her eye.

I said, "Mrs. F ley, I am glad to you here. I am so so She looked confu She mumbled so thing. She nodde if in terrible pai held her hand. I w ted her to know I felt awful.

As I was wall down the 12th fairway a stranger to me, "That wasn't the lady you That woman was hit by C Eastwood."

It was a combat zone out there day. But I got a par on 18, and I m play golf again some day. ●

GEORGE BUSH, *41st President o United States, writes about cou music and golf for* FYI.

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Remembered Moments of Utter Reading Bliss

From a writer who has created his own fair share

By John Updike

1 Mickey Mouse Big le Books, *c.* 1940. The chunky but light-as-balsa-d feel of the ten-cent volume in my hand. The nice ty of the print and the brevity of the page, each page g a panel of a comic strip. The inky coziness of that e-fingered microcosm as Mickey and Minnie win out Peg Leg Pete and crew. All power to the undersized! nd me, the gloom of Depression mingles with the ds of gathering war, but none of it is my fault.

2 ohn Dickson Carr or Agatha Christie mys-ery, *c.* 1946. Hardcover wrapped in cello-he by the lending library at the drug store, se a 25-cent Pocket Book, with kangaroo gnia and cellophane peeling from the r. A country manor, near a village. A ndling cast of characters, as Hercule ot or Gideon Fell or Miss Marple drop cing and sinister hints. Surface text ing one way, shadowy undercurrents il another. Layers, red herrings; sud-corpses in the library, footsteps out-the French windows. Adolescent d for structure triumphantly satis-by complicated terminal exposition brisk matings among the surviving acters. Consumption position: supine on sofa, book ft hand, right hand in box of raisins.

3 Edmund Spenser, *The Faerie Queene*, 1953. Highly se-ious midnight-blue *Poetical Works Of Spenser*, Oxford versity Press. Double columns, six-point type, abethan spellings. Allegorical figures on horseback and mellifluous Spenserian stanza after another parade by. tion: derriere on a hard oak chair, tipped; feet propped he bed across the exiguous college dormitory room. lish 240 (or something), with Professor Bush, who s Spenser so much his patient explications bring tears to even the eyes of graduate students. My undergraduate sense of absorbing one more classic, in what seems the finite task ahead, of reading *everything*. A New England blizzard and Senator McCarthy rage outside, but I am sheltered from both.

4 Proust, *Remembrance Of Things Past*, 1955. Riverside Drive, New York City. Steady rush-hour traffic on West Side Highway on one side of me, wife cooking dinner and baby burbling on the other, Swann and Odette and Madame Verdurin and the Duchesse de Guermantes in the middle. Courtesy of Scott Moncrieff's florid and indefatigable translation, this gorgeous voice and mind, Marcel's, going on and on, an epiphany every 400 pages. But what epiphanies! What shimmering Arcadian vistas of illusion and disillusion! This is *prose*.

5 Well, what? Forty years since the last bliss? Four decades of malarial literary fever but no hot flashes? Nabokov, Calivino, early Salinger, late Cheever, Robert Pinget, Bruno Shulz, Murdock and Spark, Ozick and Oates, Tim O'Brien and Orhan Pamuk—all bliss, but *utter*? Has joining the ranks of the printed deprived me of the guileless trust I once brought Thurber, Kierkegaard and Henry Green, say? Well, what about the *Encyclopedia Britannica*, its row of soldiers in leather uniform, that alphabetical universe of negotiable truths, of facts I can *use*? Bent low in the library wing chair, my aged eyesight strained, I consult, I memorize, I rush upstairs and pop the stolen tidbit still warm into the humming word processor, fortifying the stew of my own that therein simmers. Bliss! ●

John Updike *is the author of 44 books. His most recent is* The Afterlife & Other Stories.

(Times 5) Excuses

Alibis for all occasions, by a man with a lot of practice

By P.J. O'Rourke

I Five Excuses For Smoking Cigars

1. I can identify my clothes by smell. That way, when I'm getting dressed in the dark, I don't accidently wind up in a Norma Kamali skirt and a pair of Joan & David lizard pumps.
2. Cigars produce more secondary smoke. Thus anti-smoking types are killed off faster.
3. I'd feel like a jerk serving brandy and Freedent.
4. Tell the following anecdote: Years ago I was on the porch of a little inn on the coast of Maine. An old lady was sitting in a rocker. "Young man," she said, "when I was a small girl my mother told me never to object when a man lights a cigar. 'Where there are cigars,' said my mother, 'there's money.'"
5. Cigars are the way I relax and unwind. They're better for my health than drinking.

II Five Excuses For Drinking

1. If I stopped drinking and smoking, it would add ten years to my life. But it would add them to the wrong end.
2. "I was drunk" is a better excuse than "I was stupid."
3. Weddings, funerals, divorces, leveraged buy-outs, bankruptcies, tax audits, drops in the Dow Jones, rises in the Dow Jones, days when the yen gains against the dollar, weekends with the family—I'm an occasional drinker.
4. When you've been through as many weddings, fune divorces, leveraged buy-outs, bankruptcies, tax au drops in the Dow Jones, rises in the Dow Jones, days w the yen gains against the dollar, and weekends with family as I have, you've got some memories you'd lik lose. Drinking causes memory loss.

The author: learning to live well and lie about it.

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5. There's another excuse but I forgo

III Five Excuses For Driving A Sports Car That Cost More Than Your Father Ever Made In A Yea

1. A high-powered executive i high-pressure job may not have t to sail his yacht or fly his plane, driving a fine performance vehicl a way for him to relax and unw twice a day just going back and f to work. (The president of Pors once actually said this in an intervi Claim he said it to you.)
2. When I was in high school I pro ised myself that, someday, I would one of these. Lots of people aban their youthful ideals.
3. When a thing gives you honest, alloyed pleasure, you can't think in terms of monetary expense.
4. It's really an investment.
5. Anyway, it's cheaper than marry a woman half my age.

IV Five Excuses For Marrying A Woman Half Your Age

1. Because I can.
2. She loves me for my money— that's true love.
3. She believes my stories about '60s.
4. If she tries to screw me in the vorce, I'll fire her dad.
5. She's mellow. She's laid back. doesn't care if I smoke, drink, d like hell, and stay out all night.

V Five Excuses for Everything Else

1. My wife won't let me.
2. I'm in the middle of a terrible vorce.
3. After I gave up smoking and dri ing and sold the Porsche and quit ning around with women half my I had to do *something*.
4. One thing I've learned in all years of experience—never m excuses.
5. Life is short and so am I. ●

P.J. O'Rourke's *new book is* And Guile Beat Youth, Innoce And A Bad Haircut.

Pretty Amazing (and We Do Mean Amazing) Operations

You thought the story of your triple bypass was harrowing?

By Sherwin B. Nuland

Barry Goldwater raised hackles everywhere when he uttered that deathless line in 1964: "Extremism in the defense of liberty is no vice!" Well, it just so happens that a good many of our most highly regarded citizens have taken liberties with vice, in the defense of extremism.

The vice I refer to is a distinct form of self-abuse. Recently, the self-abuse called onanism seems to have become so distanced from its reputation as a vice that government officials actually consider it a virtue, to be taught at school. But I'm an old-fashioned kind of guy, and I've never gotten over my fear of being struck blind for it. The form of self-abuse I'm concerned with is not the usual lubricious gratification, but the abuse inflicted on their bodies by researchers when they use themselves as experimental animals. If this is not extremist behavior, I'm a lab rat. It's a tribute to the scientific principle of dumb luck that more of these auto-terrorists haven't ended up in extremis, or worse.

My favorite among the high-wire researchers is the turn-of-the-century deedevil William Halsted, who later achieved fame as the first professor of surgery at Johns Hopkins. When Halsted was an up-and-coming young surgeon in New York in the 1880s, he got word from Viennese friends that an extract of a plant called *Erythroxylin coca* could be used to numb the cornea for operations on the eye. Reasoning that it would also numb other sense organs, Halsted began injecting the extract, by then called cocaine, into nerve trunks in his arms. He brought together a group of colleagues who assembled almost every night at his bachelor pad on East 25th Street to do the same. When they began to realize that the drug had exhilarating side effects, the young doctors took to snuffing its powder up into their nostrils, hoping to enhance an evening at the theater or perhaps enliven what might otherwise have been a staid Victorian date. Neither they nor anyone else yet had any idea the stuff was habit-forming. Halsted's experiments established the principle of local anesthesia, but he and every one of his pals became addicted. The surgeon was the only one eventually

The ultimate do-it-yourselfer, Dr. Evan O'Neill Kane performed an appendectomy and *a hernia repair on himself.*

able to resume his career, although he never completely lost his dependence on narcotics.

2 Halsted didn't know what he was getting into when he began playing around with cocaine, but the 18th-century Scottish surgeon John Hunter was well aware that his auto-experiments with venereal disease might do him in. Determined to prove that syphilis and gonorrhea were one sickness, Hunter dipped a sharp blade into a sailor's gonorrheal pus one May day in 1767, and inoculated himself by puncturing the foreskin and head of his penis. What he didn't know was that the man was infected with both diseases. When he found himself in the early stages of syphilis and the clap at the same time, Hunter erroneously felt that he had made his point, as it were.

3 About 40 years after that misguided experiment, a medical student at the University of Pennsylvania set out to demonstrate that yellow fever could not be transmitted directly from one person to another. In 1802, Stubbins Ffirth smeared the fresh vomit of a desperately ill patient into an open wound he cut into his forearm. He repeated the successful experiment some 20 times, and even then he wasn't satisfied. The vomit of yellow fever victims contains partially digested blood, which gives it a black color and a particularly disgusting stench, but that didn't stop young Ffirth. He went on to pour some of it into his eye, and even drank the horrible stuff on several occasions. He never did get sick. It was nearly 100 years later that the virus of yellow fever was found to be transmitted via the bite of a mosquito, justifying the beliefs of the long-dead puke-quaffer.

In 1929, a young doctor in Berlin thought up the daring scheme of passing a catheter directly into a living human heart, to see if it could be done without killing the proposed subject—himself.

4 One of my five self-abusers was so certain that superiors would stand in the way of his research that he used all kinds of subterfuge to keep his planned experiment a secret, even from his closest associates. Shortly after receiving his medical degree at the University of Berlin in 1929, Werner Forssmann thought up the daring scheme of passing a catheter directly into a living human heart, to see if it could be done without killing the proposed subject—himself. During the quiet of a lunch break one hot summer day, Forssmann injected novocaine into the skin of his arm, cut into a vein and passed a 25-inch kidney catheter into it. When the catheter reached his shoulder, he walked down a flight of stairs to the X-ray department in the cellar, and had the technician fluoroscope him as he pushed it directly into his heart. When his chief heard the amazing news the next day, he urged Forssmann to write a medical journal article about his unique experim but cautioned him to claim that he had tried it on a cada first, because the mere idea of such a dangerous feat w said the chief, "too revolutionary for doctors to understan The paper was read by two New York physicians, who w on to refine the technique until it could reliably be usec diagnose heart disease. In 1956, they shared the Nobel p in medicine with Werner Forssmann.

5 Another researcher had done cardiac catheterizat long before Forssmann, but thought it too danger to try in a human. In 1889, Nicholas Senn, a professo surgery at Rush Medical College in Chicago, attempte in seven dogs, with survival of three. Actually, it's a w der Senn didn't catheterize his own heart, because he l a reputation for doing risky experiments on himself, cluding the injection of a piece of cancer into his forea to prove his contention that malignancy is not contagic Shortly after X-ray was disc ered in 1895, Senn came up w the idea that better pictu could be taken of the large int tine if it was distended with or some other gas. To study t he connected a long rubber t to a tank of helium, greased opposite end, and stuck it up i his rectum to give himself a lium high colonic. He was a to report that the human bo has a capacity of five impe gallons. No practical use has e been made of this flatuous g of clinical arcana, but Se seemed pleased to pass it on a manner of speaking. Actua Senn is associated with bowel gas in yet another way. hearing that a patient had broken wind for the first ti since some intestinal operation, it was his habit to tur his assembled students and proclaim triumphantly, "*crepitat vivat!*"—who farts, lives. Surgeons seem unabl witness any wonder of nature without taking credit fo

These five don't by any means exhaust the roll of th who have abused their bodies in the name of science corollary list might include surgeons who've opera on themselves, like Dr. Evan O'Neill Kane of Ka Pennsylvania, who was so pleased with the result of a putating his injured finger in 1919 that he went on to d appendectomy on himself two years later. At 70, an ag which most surgeons would have long since retired to links, he repaired his own hernia. But why not? We all lives, after all, that in one sense or another are neither m nor less than a long series of self-experiments. ●

SHERWIN B. NULAND, *clinical professor of surger Yale Medical School, won the 1994 National Book Aw for* How We Die.

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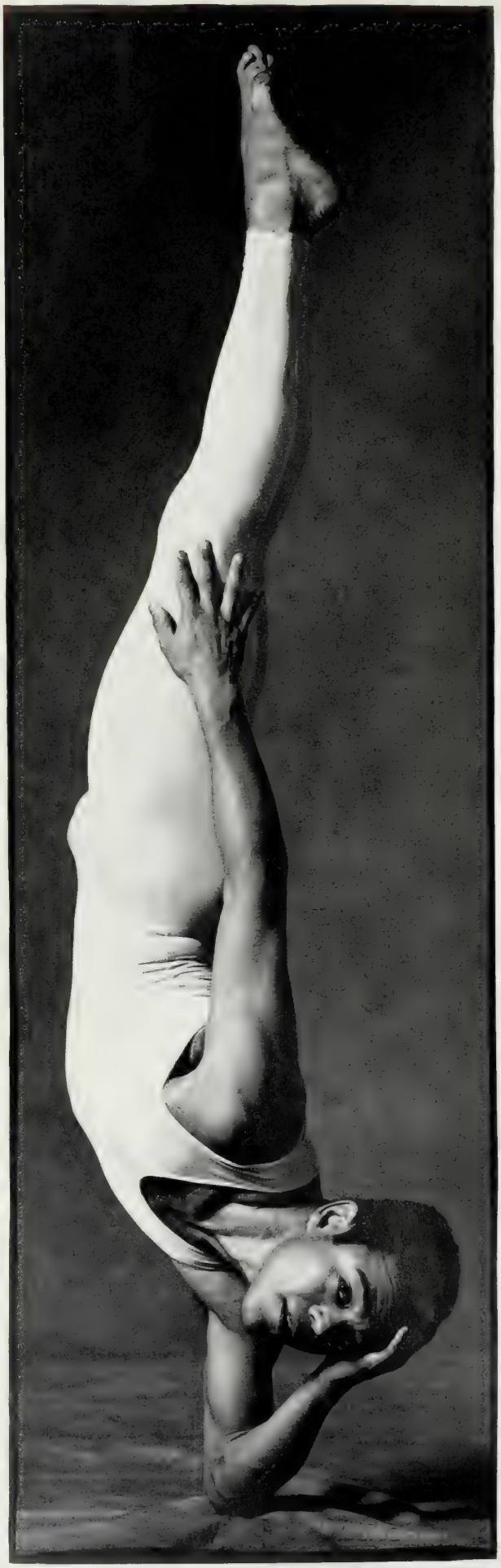

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The 5 Funniest Things Ever Said

In five words or less

By Roy Blount, Jr.

1 "Well, nobody's perfect." The last line of *Some Like It Hot.* Joe E. Brown says it when Jack Lemmon, to whom Brown has been insistently proposing marriage, informs Brown that he, Lemmon, is a man. Of interest in part because the film's creators stuck it in temporarily, always meaning to change it because they felt it wasn't funny enough. And it's perfect. What if it had been changed to "Uh-oh," or "Ohhh," or "I...don't think so"?

2 "I...don't think so." What Hank Kingsley, the sidekick indelibly portrayed on "The Larry Sanders Show" by Jeffrey Tambor, says when informed that the Jaye Davidson character in *The Crying Game* was a man. Hank's invincibly selective obviousness is one of the great characterizational achievements of "The Larry Sanders Show," which is one of the three great current TV comedy series. (The others are "The Simpsons" and "Roseanne.")

3 "Is this a trick question?" Bill Murray's response, in *Ghostbusters,* to Sigourney Weaver when she asks him (while she is in the possession of a dark force named Zuul), "Do you want to be inside me?"

4 "That camera doesn't lie." I once heard Jimmy Stewart, in a TV interview, sagely quote Ronald Reagan as having once said this, sagely. Stewart's point was that you can tell whether a person is for real or not by looking at him or her on television. He himself looked utterly veracious—it goes without saying—when he said it. I have never heard a more purely truth-resistant statement. And I say that in utter candor, because this word processor doesn't lie.

5 "I been called worse." A convicted murderer named Reginald McFadden said this recently, according to *Newsweek,* after prosecutors called him a serial killer. I include this in order to make it clear that although I am brazenly liberal enough—in this day and age—to maintain that the truth was never in Ronald Reagan, I am not insensitive to the crime problem. ●

Roy Blount, Jr. *is a humorist, essayist, poet and screenwriter. His books include* Crackers, I'm Just A Bug On The Windshield Of Life, *and, most recently,* Roy Blount's Book Of Southern Humor.

Past imperfect: Jack Lemmon drops the bombshell on Joe E. Brown in Some Like It Hot.

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5 Of Clare Boothe Luce's After-Dinner Stories

Pearls from an American Original

By Sylvia Jukes Morris

In May 1983, Clare Boothe Luce, *grande dame* of the Republican Party, appeared in one of the National Portrait Gallery's "Living Legend" series of interviews with historian Marc Pachter. The audience sat enchanted by the variety and wit of her anecdotes, which poured forth nonstop, heedless of any prompting. After about a quarter of an hour, she paused in the middle of an account of her 1945 performance in Shaw's *Candida*, and asked Pachter rhetorically, "Do you know what it's like to be upstaged?"

"No," he replied. "But I'm beginning to find out."

On less relaxed occasions, the legendary feminist, journalist, editor, novelist, playwright, congresswoman and ambassador could be a formidable presence, and an intimidatingly erudite public speaker. She had what William F. Buckley, Jr. called a "rabbinical instinct to teach," and it led her repeatedly, from the age of 37 on, to the lecture platform. For the next 46 years her coruscating loquacity enlivened a wide variety of political, religious and military forums. When expounding on a topic close to her heart, such as foreign policy or spying, she could be long-winded. Once she disingenuously paused to enquire, "Have I gone over my allotted time?" An intrepid listener spoke up. "There's no clock in the hall, Mrs. Luce, but you've got a calendar right behind you."

She was at her self-deprecating best in her early eighties ("the springtime of my senility"), over a dinner table with congenial friends, or responding tipsily to toasts. Here follow *five* of her favorite postprandial stories.

1 Shortly before her marriage to Henry Luce in 1935, the beautiful, blonde Clare Boothe Brokaw took a car trip in North Africa with the plain, dark "Buff" Rogers, daughter of humorist Irwin Cobb. During an excursion out of Tunis, the two young women found themselves in an embarrassing predicament.

There is something about Oriental bazaars that mak Americans lose track of their senses. You buy the damnde things—brass lamps, big platters.... Among the things w bought were two enormous burnooses—or whatever the plu ral of burnoose is. We stuffed them in the back of the car an told the chauffeur to continue along the coast to Algeria.

It got hotter and hotter as we passed these gorgeou beaches, with not a soul in sight. We were both sweating pro fusely, and Buff suggested, "Wouldn't it be lovely if we hal a swim?" So we put on our burnooses, toddled down a litt goat track, and went behind a rock to undress, just keepin the burnooses on. At the edge of the ocean we dropped ther off, and plunged naked into the deliciously cool water.

As we headed back to shore, we noticed that the slop bordering the sand was filling up with whistling Arabs. Soo the whole hillside was covered with white-robed men starin at our tits! The burnooses suddenly seemed a mile away.

"I'll have to stay here until dark," I said.

"Why?" asked Buff, making a dash for it. "You'll neve see any of these people at the Colony restaurant."

Luce in the early 1930s: on the great raconteuses *of the 20th—or any—cent*

2 In the late 1930s, a *York Daily News* repo asked Mrs. Henry Luce w she liked to do in her s time. She replied with usual precision, but in prin what she said, the paper un tunately dropped a com "Her real hobbies," ran resultant story, "are s board riding, shooting and...needlepoint." The r punctuation was picked u

New Yorker, and thence by an eccentric scion of the Dont family of Delaware.

He called me up after reading it and said that he too liked shooting cats, particularly when they were on a rooftop during a full moon, silhouetted against the sky. Nothing would give him greater pleasure, he said, than to have me come down one evening, and join him and his driver in the hunt.

3 While vacationing in France in the summer of 1939, Clare and Henry Luce visited Gertrude Stein at her small château in Savoie.

She said she was interested in politics and was writing a book about the decline of America from Theodore Roosevelt to Franklin Roosevelt. The country had reached its pinnacle under the former, she sighed—"Those were the days when money was money, and money could buy the things that only money can buy."

All I could say was, "That sounds like Gertrude Stein."

"I *am* Gertrude Stein!" she said.

4 Working as a war correspondent for *Life* magazine in the spring of 1940, Clare Luce remained in Paris until shortly before Nazi troops captured the city.

After spending the morning at the Gare du Nord helping refugees, I went back home to the Ritz. The news there was that Rommel's Panzers were less than a hundred miles away. Vuitton trunks were piled high on the pavement, and the revolving doors spun with guests desperate to get away. The concierge spotted me.

"You too must pack, madame," he called, "because the Germans are coming here."

"How do you know?" I asked.

"Because," he said, "they have reservations."

5 After being elected to the House of Representatives in 1942, Luce and some colleagues went to Italy for a tour of Army installations. As the group's only female, and a sexy one at that, she captivated battle-weary officers.

One night we got through dinner, and I went into a tent with this general, a very tough but fine-looking man who was rather fond of drinking. "Let's sit down," he said, leading me to his soldier's cot in the corner. And so I sat on one end and he sat on the other, and pretty soon nature took its course. He leaned over, and put his great hand right on my thigh.

"Listen, girl, stop for a moment. I'm going to tell you what the most beautiful thing in the world is."

I tried to move away, but he had this death grip on me.

"The goddamn most beautiful thing in this world is an American Division! There's nothing my Division can't do. You want somebody to put on a show, sing a song, fight a battle, build a bridge, pull a tooth, deliver a baby, my men will do it. An American Division is a *beautiful* thing!" ●

SYLVIA JUKES MORRIS *is writing an authorized life of Clare Boothe Luce, to be published by Random House in 1996.*

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Don't Leave Home Without It

HIGH 5 JIVE

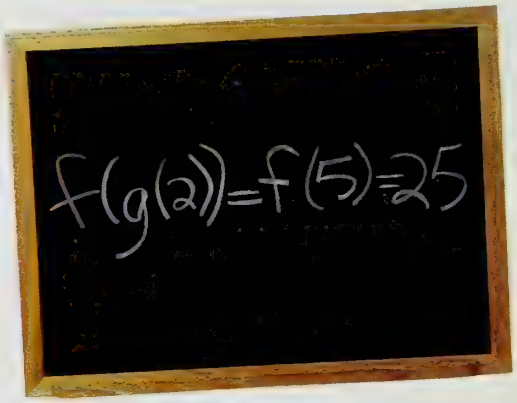
And you thought it was just another number

BY JOHN ALLEN PAULOS

What can a mathematician say about the appeal of the number five? Oddly enough, five points come to mind. A fan of bad notation, I'll label them A, ii, c, IV and 5.

A) Five is a prime number (it is not divisible by any number except itself and one) which seems to have had much numerological resonance through the ages. The Pythagoreans considered it a symbol of health and marriage, and others read divine meaning into the fact that the body has five major appendages—the arms, legs and head.

ii) Continuing in this bodily vein, I shrewdly observe that four of these five appendages end in five smaller ones. In particular, we have five fingers and two hands. These simple verities account for our base-ten number system and everything that follows therefrom, including ceaseless talk of decades (the free-love '60s, the greedy '80s), a plethora of pat 10% statistics (10% of condoms fail, we use only 10% of our brains), top-ten lists, ten-minute breaks, and so on.



A number you can get carried away with...or, count up to on the fingers of one hand.

c) Five also scores high when it comes to appealingly simple geometrical patterns. Consider the pentagon, the pentagram or five-sided star, the cross and the centered square. These patterns have had a somewhat checkered history that I merely note.

IV) Another geometrical fact that has impressed countless people, confused Johannes Kepler in his quest to describe the planets' trajectories, and inspired New Agers and pyramid-sitters everywhere is that there are exactly five Platonic solids or regular polyhedra: the cube, tetrahedron, dodecahedron, icosahedron, octahedron. (A regular polyhedron is a solid, every corne which looks the same as every other, and every fac which is a regular polygon congruent to the other fac

5) The fifth factoid about five is its surprising invo ment in the so-called Fibonacci series. This is sequence of numbers that begins 1, 1, 2, 3, 5, 8, 13, 21, 55, 89...each succeeding term being the sum of its predecessors. (What comes after 89?) The seque has deep connections to the so-called golden rectangl one whose sides stan the aesthetically plea ratio of approxima 1.618 to 1. The ratio term in the sequenc its predecessor is clos this number, and as proceeds further alon the sequence, this r approaches $(1+\sqrt{5})/2$ 1.6180339.... Altho the margin is too s for a proof, it can shown that this stra number is implicate the breeding of rab the placement of flo petals and simple ways of counting poker hands (cards/five fingers). It is symbolized by the Greek le phi, ϕ, which is equivalent to our f, the first letter of b *Forbes* and five.

Finally, one might ask if there is any significanc these numerological musings? I think I'll plead the F on that. ●

JOHN ALLEN PAULOS, *professor of mathematics at T ple University, is the author of* Innumeracy *and* A Mat matician Reads The Newspaper.

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The Most Important Books Of The 20th Century

Read 'em and weep

By Jonathan Yardley

What he'd like, His Editorship said, is a tidy little list of "The Five Most Important Books of the 20th Century," no big deal, "my only instruction is: have fun with it." *Fun?* There's more fun to be had at a bastinado presided over by the Lord High Executioner than in the following short list of 20th-century torture. In this century, it seems, a book's importance is commensurate with the amount of evil and/or nonsense perpetrated in its name. To wit, in chronological order:

1 The Interpretation Of Dreams

by Sigmund Freud (1900)

The poor century was still slurping its Victorian sugar-tit when the gentleman later immortalized by Vladimir Nabokov as "the Viennese quack" published this exercise in "psycho-analysis." Soon enough all humanity flung itself onto the couch in an orgy of narcissism that grows ever more lurid by the year. Now the high priests of pop psychology make house calls at the Oval Office and we all worship at the altar of the high priestess, a.k.a. Oprah Winfrey.

2 Ulysses

by James Joyce (1922)

The Bible of modernism. Whatever its own merits—in a fraction of the space, Joyce's story "The Dead" is ten times better—*Ulysses* visited a global plague upon literature and all the arts as the chic and the self-aware scrambled to emulate the inaccessibility and obscurantism that Joyce made fashionable. "High" art abandoned its auc ence to become the realm of academicians and oth mountebanks, leaving the rest of us to drown in the fet waters of "popular culture," i.e., Robert James Walle Barry Manilow and Oliver Stone.

3 Mein Kampf

by Adolf Hitler (2 volumes, 1925, 1927)

It is not known for absolu certain that anyone exce Hitler's biographers h actually read fro first page last this cor pendium indigestib hogwash, b by osmosis some such proce it disseminated "ideas" to so bro an extent that can be said witho qualification to ha done more evil th any other book in histo Considering all that h happened in these benighted hundred years, surely th makes it The Book Of The Century.

4 The General Theory Of Employment, Interest And Money

by John Maynard Keynes (1936)

Unreadable even by the standards of economics, t doorstopper was stumbled upon by the chefs of FDI kitchen cabinet, who made it *spécialité de maison.* It pr vided an intellectual defense for government meddling

nomic affairs that soon enough wned litter upon litter of bureau- c agencies, commissions and latory bodies. Proceeding ever ard from the Keynesian ideal, we produced such triumphs of gov- nental incompetence as Amtrak, U.S. Postal Service and the onal Endowment for the Arts.

here's more fun to be had at a bastinado presided over by the rd High Executioner. In this century, it ems, a book's impor- nce is commensurate th the amount of evil and/or nonsense petrated in its name.

The Common Sense Book Of Baby l Child Care
enjamin Spock (1946)

Dr. Spock can't be blamed for oobby-soxers, who were already ull swoon by the time the andrum of Permissiveness pro- d his magnum opus, but just t everything that's gone wrong e 1946 can be traced to its influ- . Dr. Spock, whose head, alas, is nder as his heart, encouraged un- millions of parents from Maine adagascar to coddle their kid- That, gentle reader, is how we e to have the 1960s, and all the more wonderful things that have pened in their wake.

ll of which is to say, as yet an- r icon of the age would put it: *ppétit!* ●

ATHAN YARDLEY *is a book critic columnist for* The Washing- tPost.

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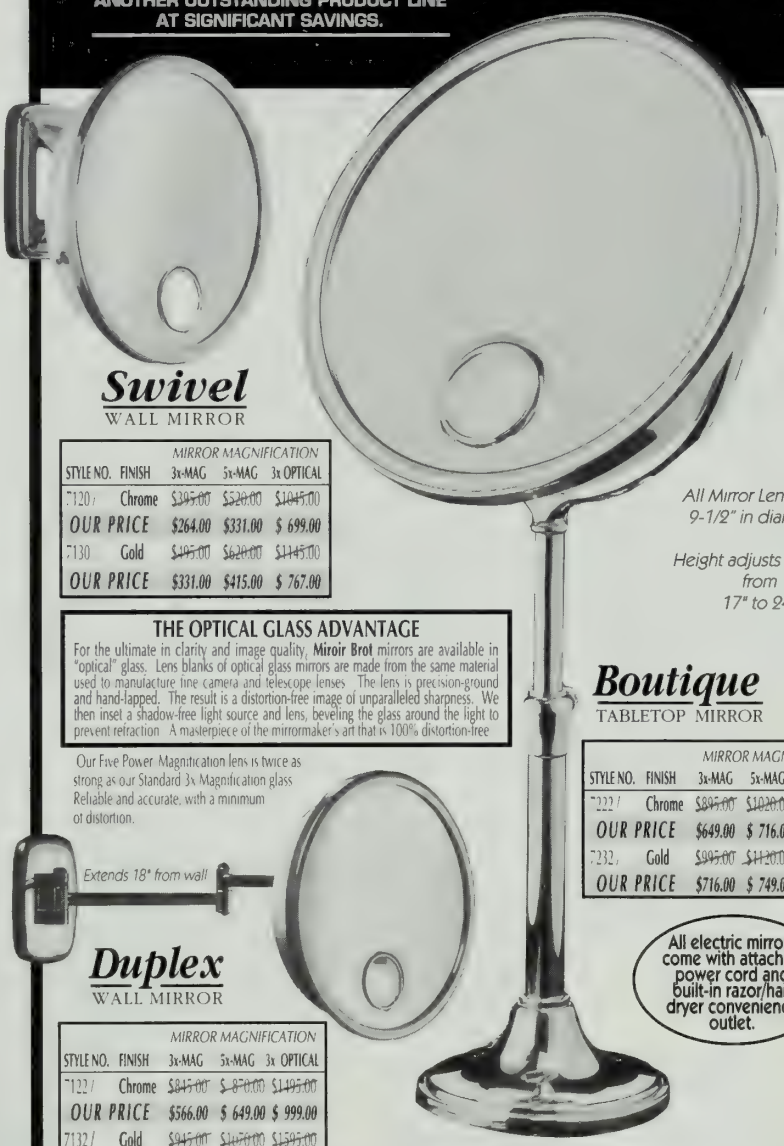

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5 Wives

One for each decade

By Oscar Milde

Some men seem to think they're entitled to have five wives—not all at once, of course (that would be *terrible*!), but in the course of a lifetime. Such men obviously have alimony money to burn. But even rich men make mistakes, you know. The mistake they make is marrying the same woman—the same *sort* of woman—over and over again.

No, if a man were to have five wives, he ought to have a different *kind* of wife for each of the decades of his marriageable life.

In his twenties he ought to have someone his own age, or just a year or two younger, someone to hang out with after college, either in or out of graduate school, someone to read D.H. Lawrence and Henry James and Proust with *the first time*, someone to hitchhike through Europe with, go camping out West with, someone who's never actually *lived* with anyone before, a buddy a companion, someone who can stand up on the pe of a bicycle climbing a hill ahead of him and look g doing it, someone winsome and willowy—like the tress Debra Winger, say.

Then, in his thirties, he ought to have a less rest woman, someone interested in making a home, a n someone who wants to have his children, and care them, someone to establish his home while he's out tablishing his career, someone who when he calls "Honey, I'm home" each night seems actually *glad* to it, someone he loves to listen to as she reads to the chil just before their bedtime. For a popular image here has, alas, to go way back—to the sitcoms of the Fiftie least—to find a caring yo mother and wife, like June Cle of "Leave It To Beaver," or the

A mate for each decade: Debra Winger, June Cleaver, Sharon Stone, Katharine Hepburn and Barbara Bush.

in mom of "The Brady Bunch."

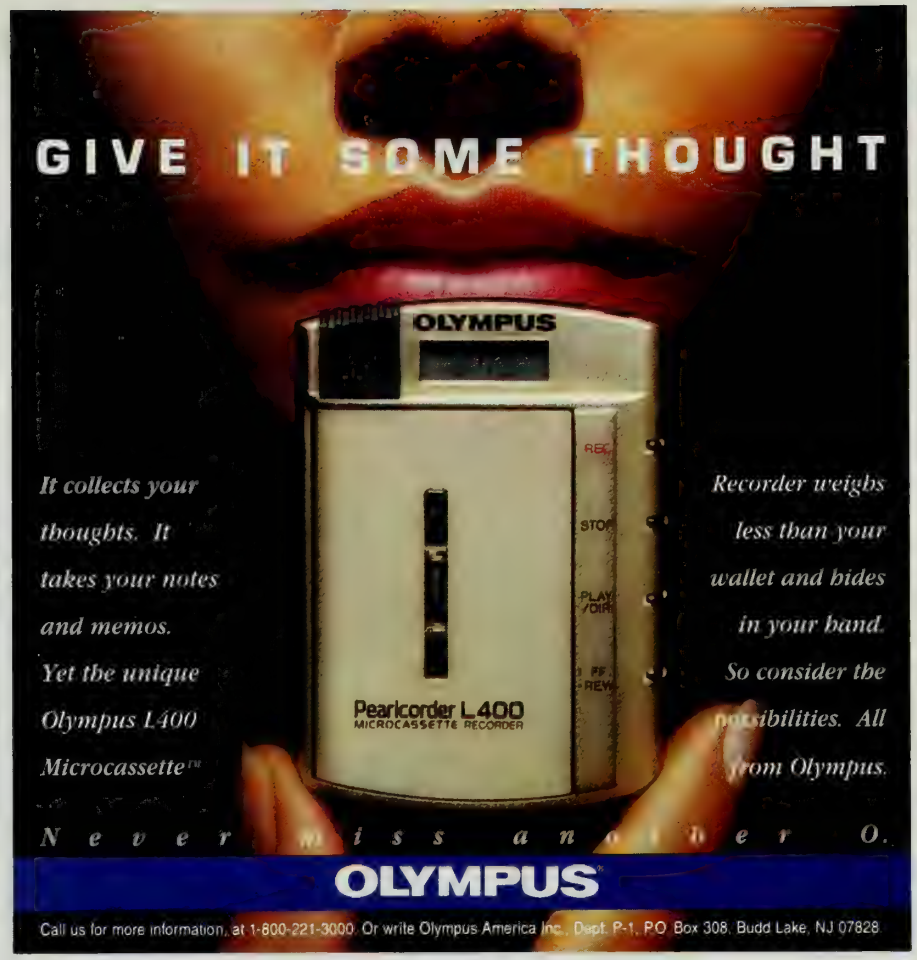
When he hits his forties, a man ought to be able to soothe his middle-age itch with a young sexpot of a wife, someone he can show off and show off *to*, who appreciates all he knows, touches him constantly and sneaks off to guest bedrooms with him at parties, someone who flashes her legs in mini-skirts, shows deep cleavage in skimpy cocktail dresses, follows him under the tablecloth in restaurant banquettes, and in general just can't get enough of him. The popular image here might be Sharon Stone, but a man ought to be able to find a sexpot with a bit more class than *that*.

When in his fifties he should have a wife of status and stature, a trophy wife, but someone successful in her own career, an interesting and independent woman who knows a lot of people herself, and who holds her own at his side at elegant and important functions. The popular image that comes to mind is Katharine Hepburn in *Woman Of The Year*, but of course a man would have to be something of a Spencer Tracy himself to handle her.

When he reaches his sixties, a man might feel he was entitled to have his original wife back, with all the intervening years intact—now with her silver hair he loves—rejoicing in visiting their grandchildren at boarding school, and reminiscing fondly together, aboard cruise ships in the Aegean, say, about all the decades they'd shared. The lovely image that comes to mind is Barbara Bush, who seems to have played the grandmother role to perfection all along, seemingly from the very beginning.

Five is about all the wives a man could feel himself entitled to, no matter how arrogant and restless he was. But, as Freud so memorably asked: What Does A Woman Want? One imagines that even the *average* woman would want far more husbands than just *five*. ●

OSCAR MILDE *is the* nom de plume *of a writer who has all the wives he can handle at the moment.*



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5 Cosmic Discoveries...

I'd like to see

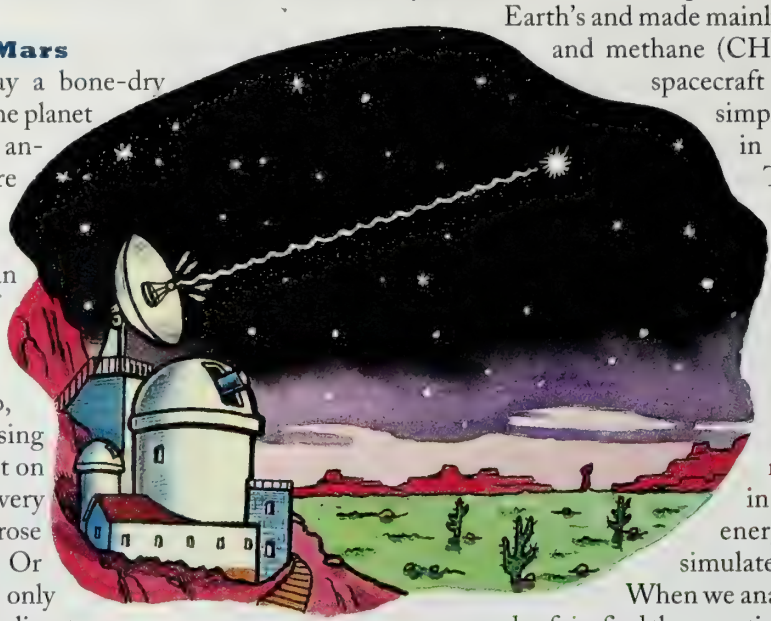
By Carl Sagan

In science the most important discoveries are often the most unexpected. Nature is far more inventive, subtle and elegant than humans are. So in a way it's foolish to anticipate what the most significant findings in astronomy might be in the next few decades. Still, there are discernible trends that indicate at least the prospect of goose bump-raising new discoveries.

Unless there are major cuts in the funding for astronomy worldwide—a doleful possibility by no means out of the question—here are five areas of enormous promise:

1 The Search For Ancient Life On Mars

The planet Mars is today a bone-dry frozen desert. But all over the planet there are clearly preserved ancient river valleys. There are also signs of ancient lakes and perhaps even oceans. By studying craters, we can make a rough estimate of when Mars was warmer and wetter. The answer is about four billion years ago, about the time life was arising on Earth. Is it possible that on two nearby planets with very similar environments, life arose on one but not the other? Or did life arise early on Mars, only to be wiped out when the climate mysteriously changed? Or might there be oases or refuges, perhaps subsurface, where some form of life still lingers? Mars thus presents two fundamental enigmas—the possible existence of past or present life, and the explanation for why an Earth-like planet became locked into a permanent ice age. This latter question may be of practical interest to us, a spec that is busily pushing and pulling on its own envirc ment with a very poor understanding of the consequenc In the next decade and a half, there are plans for rol orbiters, landers, roving vehicles and surface-penet tor spacecraft to be sent to Mars to lay the groundw for answering these questions.



Looking for life in faraway places.

2 Titan: A Laboratory For The Origin Of Life?

Titan is the big moon of Saturn. It is an extraor nary world, with an atmosphere ten times denser th Earth's and made mainly of nitrogen (as he and methane (CH_4). The *U.S. Voya* spacecraft detected a numbe simple organic molecu in the atmosphere Titan—carbon-ba compounds that h been implicated the origin of on Earth. Titan surrounded by opaque reddish h layer that has p perties identical t red-brown solid m in the laboratory wh energy is supplied t simulated Titan atmosphe When we analyze what this stu made of, we find the essential building blocks of on Earth. Because Titan is so far from the Sun, water there should be frozen, and so you mi think it is, at best, an incomplete analog of Earth at the time of the origin of life. However, casional impacts by comets are capable of melting the s face, and it looks as if an average place on Titan has been

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INSTRUMENTS FOR PROFESSIONALS

derwater for a millennium, more or less, in its four-and-a-half-billion-year history. In the year 2004, a NASA spacecraft called *Cassini* will arrive in the Saturn system; an entry probe called *Huygens* will detach itself and slowly sink through the atmosphere of Titan towards its enigmatic surface. We may then learn how far Titan has gone on the path to life.

3 The Search For Planets Around Other Stars

Planets are small and shine by reflected sunlight. The Sun is very bright. Astronomers living on the planet of some nearby star would have great difficulty seeing the feeble light from the planets in our system against the glare of the Sun. Likewise, it has been (until very recently) impossible for us to detect planets, if any, going around other stars. Through a kind of astronomical fluke, two Earth-like planets and another roughly the size of our Moon have now been detected orbiting an exotic neutron star, called B1257+12, some 1,400 light-years away. But for ordinary stars like the Sun, other techniques are needed. We need to detect the tiny movement of the star in response to the gravity of an orbiting planet or the nearly imperceptible dimming of the star as one of its planets briefly passes between it and the Earth. Large ground-based telescopes, some with surfaces that reconfigure themselves to compensate for the blurring motion of the atmosphere, and new techniques with telescopes in Earth orbit, look very promising. There is also a spacecraft that in a matter of years could troll through thousands of nearby Sun-like stars looking for other Earths. If we find any, we would then look for signs of life—for example, molecules like methane in an atmosphere with a great deal of oxygen. Long before mammals evolved—indeed, long before the vertebrates—life on Earth would have been detectable by such means.

These are deep and difficult questions which every human culture has, in one way or another, approached. But only in our time do we have a real prospect of uncovering some of the answers.

4 The Radio Search For Extraterrestrial Intelligence

Radio waves travel at the speed of light. Nothing goes faster. At the right frequency they pass cleanly through interstellar space and through planetary atmospheres. If the largest radio/radar telescope on Earth were pointing at an equivalent telescope on a planet of another star, two telescopes could be separated by thousands of light-years and still hear each other. For these reasons, existing radio telescopes are being used to see if anyone out there is sending us a message. So far we have found nothing certain.

But there have been tantalizing "events"—signals recorded that satisfy all the criteria for extraterrestrial i telligence, except one: the signal never repeats. We only at the beginning of the search program. If extrat restrial intelligence is found, our view of the Universe a ourselves is changed forever. And if after a long and s tematic search we find nothing, then we may have ca brated the rarity and preciousness of life on Earth. Eith way, this is a search well worth making.

5 Cosmology

Astonishingly, modern astrophysics is on the verge determining fundamental insights into the origin, nat and fate of the entire Universe. The Universe is expan ing; all the galaxies are running away from each other what is called the Hubble flow, one of three main pieces evidence for an enormous explosion at the time t Universe began—or at least present incarnation. Just as t gravity of the Earth is stro enough to pull back a sto thrown up into the sky, but r a rocket at escape velocity, there's a great deal of matter the Universe, the gravity ex cised by all this matter will sl down and stop the expansi and replace it by a collapsi Universe. If there is not enou matter, however, the expansi of the Universe will continue f ever. The present inventory matter is insufficient to slow expansion, but there are reas to think that there may be a gr deal of dark matter that does not betray its existence giving off light for the convenience of astronomers. If expanding Universe turns out to be only temporary, u mately to be replaced by a contracting Universe, this wo strongly suggest that the Universe goes through an infi number of expansions and contractions and is infinit old. An infinitely old Universe has no need to be creat It was always here. If, on the other hand, there is insu cient matter to reverse the expansion, then this would consistent with a Universe created from nothing. Th are deep and difficult questions which every human c ture has, in one way or another, approached. But only our time do we have a real prospect of uncovering so of the answers. Not by guesses or stories—but by real, peatable, verifiable observations.

There is a reasonable chance that startling revelati in all five of these areas can be expected in the next dec or two. But the prediction I can make with the high confidence is that the most amazing discoveries will those we are not today wise enough to foresee. ●

Cornell astronomer and Pulitzer Prize-winner CA SAGAN'*s latest book is* Pale Blue Dot.

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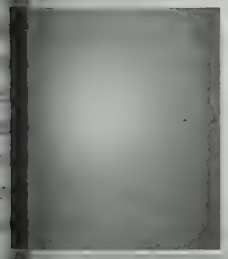
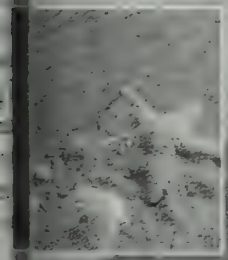
Patter of rain

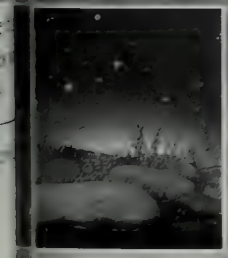
Gurgling brook



Neutral white noise



Ocean waves and surf



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5 Cosmetic Discoveries...

I've already made

By Lauren Hutton

1 My first Cosmetic Discovery came when I was about one year old and living at the antebellum house of my godfather, Vincent Chico, in Charleston, South Carolina. Vincent, a wonderful, mysterious man, was godfather to the entire southeastern coast, but that's another story.

We were all up on the second floor landing at the head of a big, sweeping staircase, and Vincent was tossing me high in the air. I was watching the chandelier rush towards me and the walls zoom past, looking down at Vincent's happy, scary face, and at the frightened faces of my mother and Pearl (my godmother, Vincent's redheaded wife). He was laughing, and I was whooshing up and down, and the women were shaking their heads, "No, no, no," and Vincent completely ignored them as if they were a couple of cats. He just threw me higher and higher. It was the most fun I'd had to date, and I loved it because these women were gorgons who did little more than boss battalions of black people around that old house. Pearl, in particular, was a real Scarlett O'Horror. (Years later, at her funeral, there were three former governors, seven former senators, and at least four ex-madams. Even at 18 I could tell.)

So my first Cosmetic Discovery was this: if you have short hair and wear pants, you can ignore the long hairs in skirts. They shut up. I can remember the very instant, looking down on their little faces, that I figured it out. I sided with the men. They had the power—and a hell of a lot more fun.

2 My second Cosmetic Discovery was that it wasn't men's hair alone that made them different.

By age three and a half, I was living in Miami and attending a preschool called Toddle Inn. One day I wer the bathroom. The door was cracked open and a boy standing in front of the toilet (obviously a boy; his bl hair was about an inch long and he wore pants). He something in his hand, something growing from him, I heard this very familiar noise. It was electrifying. He waving me off as I advanced to try and get a better l at this magical th Seems I became obse with my quest, bec when the teachers— Walruses—heard him ing and galloped in, were rolling around on floor. They told my mo they almost had to b my fingers to get me t go (of his arm). The sha Mother said I was lik alligator snapper, a pound member of the turtle community w head has to be cut off its jaws clamp onto so thing. But shame or there's no going back the fruit of knowledg liked it, and he had it.

The author, who was born with something very few people have: the look.

After that, I worked a plan for naptime. W had our own cots, boy one side of a long screened-in verandah, and girls o other. This was before air conditioning, and when other kids were asleep in the 98-degree steamy heat— the Walruses were down—I crawled on my belly li reptile under the girls' cots and across the floor to the b

It must have been the most concentrated momer my young life, but he was in sight, just there on the ri

N v up under his cot, *"Yes, he's still asleep...I just want to* *his hand, the one that held...."*

Eeeeeeee!" he woke and knocked me backwards with li screams. Bedlam. When Aunt Gaga came to take me a y forever, he was still screaming. It was a life lesson for m but for him it was Nightmare at Toddle Inn. I hope li ot over it, I never did.

The third Cosmetic Discovery came when I was five.

My mother and I were still living in Miami with my A t and Uncle, Gaga and Eddy. The Behrens sisters, M n and Gaga, were both borzoi-boned Charleston b s, but Mother was lethally beautiful. She had real platin n-blond hair worn like Veronica Lake's, a long page b over one sapphire blue eye. She had her celebrated hair d bed out at the hairdresser each morning on her way to ork at the Fisher Building (Miami's first and only sk craper then, 24 stories high) d e up in her $100 crocodile shoes carrying the latest *New Yorker* *Harper's Bazaar.* Mother was serious babe.

Gaga, on the other hand, wore b sedresses, looked "normal," and ed home with me. (Maybe no r preschool would take me.) So G a and I cleaned, cooked, and fun while Gaga's daughter, A ith (one year older than I), t to school.

ven though Mother looked a princess from the big Brothers G nm Fairy Tale book (even A ie said so), and we were all d of her, to me, only Gaga was real.

Mother was like a lovely, exquisite doll. But while her were open and everyone looked at her, she never re- l looked back. She had been so beautiful for so long, it as if she was surrounded by mirrors, as if people were rors that talked, always telling her how beautiful she and she had fallen under their spell. It took a long for me to figure out (41 years), but I think that's why came a serial doll killer.

had piles of little arms, little legs and little torsos hid- around the house, but it was the heads I was really in- sted in. Those eyes that opened and closed—big phire eyes that looked at you, but didn't see you. I'd pry heads off just to have a peek behind the eyes and see they worked. The head was always attached to the y with an S-hook and a thick rubber band. When you ped it off with a butter knife, everything fell apart at e: little arms, little legs and those eyes.

erhaps it was more manslaughter than murder, and ed to put them together again. But it was no go. So l the parts in piles: arms in the closet, little legs in oy chest, torsos in the basement. The eyes, though, eyes I kept in my pockets.

Since I didn't know then why I had this compulsion, I was unable to explain it to the authorities (Gaga and Mum) each time I was busted, which was often. So soon there was an edict: no more dolls for Mary Laurence. A harsh law but...it didn't apply to my beloved cousin Ardith.

Oh yes, Ardie was a doll collector, a serious one, and when they spotted me eyeing her treasures, they built a ten-foot-high shelf all around the room the two of us shared. Too high for the beheader, they thought. That is, until I found the ladder and the Saturday Morning Massacre began....

Maybe I was born with a little too much testosterone. But living constantly between Gaga's inner life and Mother's outer life was eventually to lead to Cosmetic Discovery #3: "Beauty is as Beauty does." And Gaga was indeed beautiful.

If you're a young, blue-ribbon egg-bearer, there's nothing *you can't get away with. Nobody who hasn't been there has* any *idea, and even those who have won't really understand until after the stampede.*

4 My fourth Cosmetic Discovery occurred at 18, and oddly enough it began with forgetting, at least for a while, the wisdom of Discovery #3.

I'd turned out to be my mother's daughter in the looks department. I still wasn't, nor would I ever be, in her class, but I guess standards had fallen since the '40s. Quite suddenly, beginning one summer's night back in Charleston, there was a male stampede in my direction that continued for the next three decades. I awoke to a realization that would take a long time to play out, but in essence Cosmetic Discovery #4 was this: if you're a young, blue-ribbon egg-bearer, there's *nothing* you can't get away with.

Nobody who hasn't been there has *any* idea, and even those who have won't really understand until after the stampede has passed because there's so much dust in the air.

By 36, after being a "Supermodel" for 14 years, I was addicted to admiration. And, shame of shames, despite what I assumed were inoculations (a few close friends, a boyfriend with a brain the size of Texas, and spending six months a year in the wilds of Africa, Asia and South America for 15 years), I had turned into my mother. I couldn't see out anymore, I could only see people seeing me. As she'd grown out of it, I'd grown into it. And so it took another ten years to find my way back, and along the way, to make my fifth Cosmetic Discovery:

5 Spend too much time with cosmetics, and you'll never find the cosmos. •

LAUREN HUTTON *is the host of the new late-night talk show "Lauren Hutton and..."*

5 Things Forrest Gump's Mama Never Told Him

But probably should have

By Winston Groom

1 The Difference Between Gross Points and Net Points in the Movie Bidness—I Always Thought Gross Point was a Place in Michigan. On the Other Hand, There Ain't no Such a Place as Net Point.

2 If You Go to the Zoo, Always Take Something to Feed the Animals—Even If the Signs Say, "Do Not Feed the Animals." It Wasn't the Animals that Put them Signs up.

3 Always Save Enough Change for one Phone Call, one use of a Pay Toilet, and to Give a little Some to a Beggar.

4 If You Put Your Money Where Your Mouth is, Will Look Very Funny to Other People.

5 Don't Own Nothin if You Can Help it. If You C Even Rent Your Shoes. •

Winston Groom *is the author of nine books, inclu* Forrest Gump, *though you would not have known it* *watching the Academy Awards.*

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THE 5TH

Beethoven's, natürlich

BY WILLIAM F. BUCKLEY, JR.

"Dah-dah-dah *DAAHH*. Dah-dah-dah *DAAHH*. What comes next?"

"Uh... Dah dah dah *dah* dah dah dah *dah* dah dah dah *dah*/ Dah dah dah *dah* dah dah dah *dah*—"

"Okay, okay. I guess everyone knows *that* one. Do you know how to remember the tune of Schubert's 'Unfinished Symphony'?"

"Sure. 'This *is*/ The sympho-*nee*/ That poor old Schubert never/ *Fin-ished*.'"

"Okay, okay."

"Have you got one for Tchaikovsky's Fifth?"

"Got a what?"

"An *aide-memoire*."

"No."

"What about Shostakovich's Fifth?"

"No."

"How long have you known about Dah-dah-dah *DAAHH*?"

"Since the war."

"What war?"

"*The* war. 1939-1945."

"What did that have to do with Beethoven's Fifth? It premiered in 1808."

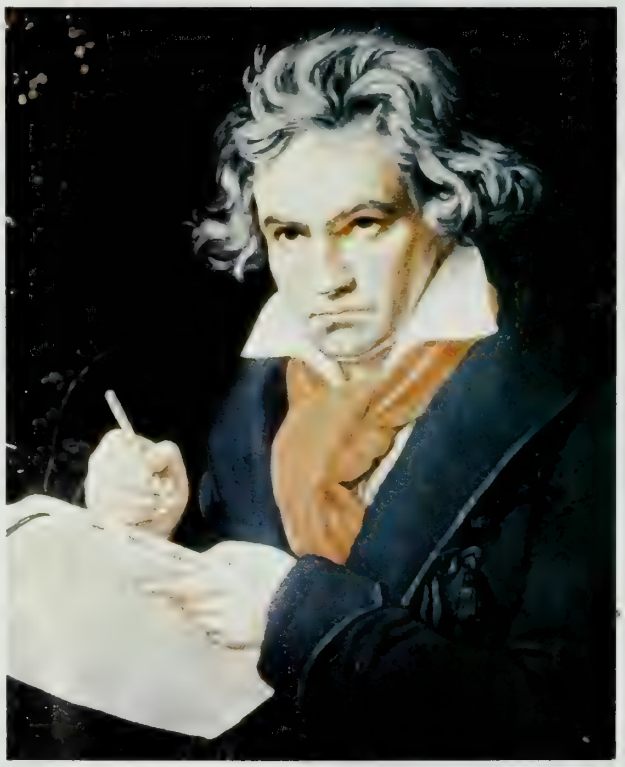
"Do you know Morse code?"

"No, actually."

"Well the letter 'V' is written in Morse, Dot dot dot DASH."

"So?"

"V is the first letter of the word 'Victory.' Churchill and the gang decided to drum Victory into the Nazi consciousness, so all their black broadcasts and for that matter standard broadcasts for five years began with the o ing four notes of the Fifth, Dah-dah-dah *DAAHH*."



There is only one "The Fifth," and it was composed by this sweetie pie.

"Is that why the Fifth Symphony is so famous?"

"Hardly. Twenty years earlier, Toscanini had said al the Fifth that it was the 'perfect' symphony."

"What did he mean by that? Perfect *how*?"

"It was held up, very early on, as the acme of the Classical style."

"What happened after 'Acme?'"

"The Romantic."

"How do you tell the di ence?"

"Well...You know Liszt?"

"Hell yes. Want me to you the 'Hungarian Rh sody'?"

"No. Thanks very m Well, you know Bach?"

"He's not Classical, Baroque."

"I *know*, I know, my poi to tell you what came *b* Beethoven's classical what came *after*, so wha have is Baroque-Class Romantic. You can get a with saying that the acm the baroque is Bach's 'Ar The Fugue,' the acme o romantic is your 'Hunga Rhapsody.' Well, Beetho Fifth came in about the er the period that began with Haydn and Mozart and er with—"

"Beethoven?"

"No. The later Beethoven was *ultra*romantic,

e—atonal even, like the last quar-
"

Did the Fifth get acclaimed right
v as the last word in Classical?"

lo. Some critics thought it too ag-
sive, others too Apollonian—"

pollonian?"

es, spare, direct, unembellished.
critic wrote about the transition
he last movement, the scherzo,
e you have a fragment of 44 mea-
s, where Beethoven deemed it
ssary to suspend the *habeas corpus*
nusic by stripping it of all that
ht resemble melody, harmony and
sort of rhythm.' He even won-
d whether it
'music.' 'If I
answered in
affirmative, I
ld say that this
s not belong
he art which
in the habit
onsidering as
ic.'"

Vell, that must
e torn it. Did
thoven react?"

eethoven died
27, Oulibicheff
te in 1857."

here were
r critics?"

es. Somebody
ed the sym-
ny on the piano for Goethe who
, 'It is merely astonishing and
ndiose.' Ludwig Spohr thought
last movement—the longest, it
s 13 minutes—'unmeaning babel.'"

can imagine how Beethoven felt.
critics didn't like my first book,
know."

didn't know. But the Fifth isn't
y Beethoven. He was 37 when he
te it and had only 20 years to live.
l I've given you references only to
notices."

ou got others with you?"

ep, some. One critic said the
h was 'the greatest triumph in in-
mental music up to that time. It
lls the maxim that every true work
rt is a realization of the divine,
se purpose it is to confer the lofti-
lessing on man by the enlighten-
ment of the earthy and the spiritualization of the sensual—'"

"That sounds like my *second* book."

"The younger musicians, like Berlioz, tried to make the older skeptics *listen* to Beethoven, just go and listen to him. Berlioz finally persuaded the famous French music dean Lesueur to go to a concert—in Paris, where they were doing only Beethoven in one center. He came in for a performance of the Fifth."

"He like it?"

"Don't get ahead of me. The mighty Lesueur, who was a little like our Alexander Woollcott, insisted on being left alone to listen to the Fifth, he wanted no distractions. So Berlioz went to him after the orchestra had finished. He wrote in his journal what Lesueur said. 'Ouf! Let me get out. I must have some air. It's amazing! Wonderful! I was so moved and disturbed that when I emerged from the box and attempted to put on my hat, I couldn't find my head. Now please leave me be.'"

"V is the first letter of the word 'Victory.' Churchill and the gang decided to drum Victory into the Nazi consciousness, so all their black broadcasts for five years began with the opening four notes of the Fifth."

"Good ho! One up for our team, right?"

"Wait. The next morning, Berlioz called on the old man. He was still shook up after hearing the Fifth. He acknowledged this but then said, 'All the same, music like that ought not to be written.' Berlioz had the perfect response."

"What?"

"'Don't worry, master. There is not much danger that it will.'"

"I like that."

"I thought you would. That's why I gave it to you." •

WILLIAM F. BUCKLEY, JR. *is editor-at-large of* National Review. *His most recent novel is called* Brothers No More.

LIZ SMITH

Gossip Items I'd Love To Write

And the way things are going, I probably will

HOT FLASH! STOP THE PRESS! After some months of speculation that Lisa Marie Presley was pregnant (and some cynically nasty comments in the press about "a star in the East"), Michael Jackson's longtime aide Bob Jones tells me that Michael's wife, Lisa Marie, gave birth this morning to quintuplets.

The "new Jackson Five" are all male, weighing from six to four-and-a-half pounds. They are said to resemble their famous father, that is, by those who can remember what he originally looked like.

The children have been named Peter, Tom, Huck, Puck and Holden after their father's favorite boyish and adolescent literary characters.

The mother is doing well, and ordered a peanut butter-and-bacon double cheeseburger soon after delivering her fifth son. She is reported to have said, "If only mah Daddy, the King, could have lived to see his little princes!"

Michael's own godmother, the actress Elizabeth Taylor, was present for the birthing. She remarked, "I have never seen less weird babies."

Jackson himself, the proud papa, has been handing out blue-banded chocolate cigars, saying, "I always wanted boys of my own."

THIS JUST IN: Roseanne and Mike Tyson have made plans to fly to Mecca and be wed nearby in a true Muslim ceremony early this month.

Roseanne, who has been giddy in love since the night she met Tyson after he took back the World Heavyweight Championship from George Foreman, says she intends to wear the chador in her new life and become the perfect wife: "I can take the veil," says the famous TV star. "I can become a 'domestic goddess' for real. I will make a home for my champ. I'm out of show business!"

Tyson says he never knew he could be so happy. "Roseanne stands up to me, and we slug it out in private. In public, she walks three paces behind me and knows her place. Praise Allah!"

"This is forever!" says Roseanne.

MOTHER TERESA paused yesterday while tending 213 dying patients in her Calcutta hospital. She took to the trans-Atlantic phone to speak to me frankly about the planned Jon Peters production of a movie of her life.

"While I have never wanted to see anyone die, except perhaps those in extreme pain, who God, in his wisdom, chooses to take, I confess I was relieved when Greta Garbo passed on. There were all those awful rumors that she intended to come out of retirement and play me on the screen."

The sainted humanitarian paused, then continued: "Garbo was too old to play Mother Teresa, you know—and then there was that awful accent of hers. I have always had someone younger in mind—for instance, Sharon Stone."

She asked me to convey her suggestion to producer Peters, but he was unavailable, having flown in his private jet with a bevy of Playmates to a cocktail party in Hong Kong.

AGE OF MIRACLES! Mel Gibson, the Australian he-man star, and Texas Congressman Dick Armey have announced, through the distinguished international P.R. man John Scanlon, that they are leaving their marriages, plan to divorce their respective wives and wi

n celebrate, via an ancient aboriginal tribal ceremony, ir vows to one another.

Gibson's move will shock Hollywood, where he has n had to defend himself for comments offensive to the community. House Majority Leader Armey is the servative who referred to his colleague, Congressman ney Frank of Massachusetts, as "Barney Fag."

The two met when the Congressman was "Down der" on a sheep quota mission in the outback. "Mel was ning nearby," says the Washingtonian, "and we sat und under a big red moon, drinking Bundaberg rum n our hip flasks...well, and one thing led to another."

Gay activists Michelangelo Signorile, Armistead upin and Larry Kramer have had several meetings with nbda and other gay and lesbian groups to decide how best welcome Mel and the Congressman into gay life. ey weren't in the closet, so we can't say they came out," nments Kramer. "They have simply joined," says upin, the laureate from San Francisco. "I say fumigate m first!" pouts outing activist Signorile.

P.R. man Scanlon simply smiles his Irish smile: "Leave be. Besides, their wives will get big settlements!"

ONE OF the most shocking and surprising stories ny decade, Elizabeth Taylor confided to me today that will publicly acknowledge Princess Diana of Great tain and Madonna of Detroit, U.S.A., as her very own long-lost twins, separated from each other at birth.

Miss Taylor wept on telling me that in a fit of pique with her not-yet-husband Richard Burton, back in late 1962, she gave away her non-identical twin babies. "I took a foolish revenge on those I loved best," says the legendary film star. "I knew one of the babies went to a good English family and the other was taken to an Italian family in America, but I've spent years and millions to locate them. Now that I've found them, I'll never let them go!"

Diana and Madonna are said to be delighted with their new identities and sibling relationship.

Madonna's press rep., Liz Rosenberg, says, "I suppose many will be skeptical because of the disparity in their ages, but Madonna was actually born in 1962—right along with Diana—and she has always lied about her age to make herself seem older and more sophisticated."

Miss Taylor has given me the worldwide exclusive to write the story of her two famous children for *People*, which will feature mother and daughters on the cover. The editors of *People* expect this to be their best-selling issue of all time. All monies paid for writing and photographs will go to the Elizabeth Taylor AIDS Foundation.

"It's in the genes," says Elizabeth. "Diana and Madonna were already AIDS activists before they discovered their true identities." ●

LIZ SMITH's *column is syndicated in 60 newspapers.*

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5 BADFELLAS

In a lifetime of interviewing, it's not the heads of state you remember, but the guys named "Lunchy"

BY MIKE WALLACE

I am tempted, of course, simply to list five of the most powerful, most celebrated, the hardest to get: Deng Xiao Ping or Eleanor Roosevelt, Frank Lloyd Wright, perhaps Vladimir Horowitz or even Barbra Streisand. Each of them started out reluctant but finally succumbed.

And what each had to say proved worth the effort. But most memorable? Probably not.

Instead, the five I have in mind are among the brigands, the thieves, the con men, the colorful malefactors who have come my way.

1 Mickey Cohen, for one. Dead now, when alive he prospered as a mobster. Gambling mostly, strong-arming, killing only "when necessary," he told me, and never, never did he kill "except when someone deserved to die."

In 1957—long before "60 Minutes"—I introduced him to an ABC Television audience. "Tonight we go after the story of a man who says he's had his fill of gambling, killing and ducking bullets. Former gambling czar of the West Coast, now a florist, who's turned his trigger finger into a 'green thumb.'"

In our half hour together, he talked of flowers, of his new friendship with Dr. Billy Graham. He declined (to my disappointment) to "rat" on anyone, but then we wandered into uncharted territory, mainly his disdain for the man who was Chief of Police in Los Angeles, the late William Parker.

"He's nothing but a thief, he's a known alcoholic, an old degenerate...a sadistic degenerate of the worst sort." Plus more of the same.

Our half hour over, Mickey was quick to reassure about the possibility of a libel suit. "Forget about it, Mi I have so much on this guy, he wouldn't dare sue."

He sued. He sued Cohen, me and ABC. The insura company settled. Chief Parker got $45,000.

2 Richard Miller, a Mormon, father of eight.

"A sad day for the FBI" was FBI Director Willi Webster's reacti when Miller was rested in 1984 espionage, the fi FBI agent ev charged with wo ing for the Soviet

Chubby Richa Miller was right of the gang th couldn't sho straight. "Lunch one of his superi called him, fam for the remnants his huge noonc repasts that inva ably wound up his tie and jacket.

In prison now 20 years, he descri himself, accurate as a "klutz."

Wallace: "You your key inside front door of your FBI office by mistake?"

Miller: "Yes, that's correct."

Wallace: "Did you feed FBI information to a private vestigator outside the FBI?"

A young Mike Wallace (c. 1960) doing what he does best—putting people on the spot.

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Miller: "A fact I'm not very proud of."
Wallace: "Did you cadge candy bars from a 7-Eleven store next to your office?"
Miller: "I'd rather not discuss that part of it."

The FBI had transferred him over and over again down the years until, somehow, he wound up in the super-sensitive counterintelligence section of Los Angeles. It was in that job that he was "recruited" for the KGB by one of their local assets, an aging siren named Svetlana Ogorodnikova.

In return for her sexual favors, Richard Miller turned over to Svetlana (and the KGB) the FBI's top secret counterintelligence manual. "Are there many agents in the FBI like you?" I asked him.

His sheepish reply: "I certainly hope not."

3&4 Next a twofer, R.J. Rudd and Ernest Sinclair. They never knew each other, but the first pointed me to the second with thoroughly satisfying results.

R.J. Rudd was an uncomplicated con man. When I came across him, he'd set up a health spa in Murietta Hot Springs, in California, where folks who'd been diagnosed with anything from catarrh to cancer came for a cure. The treatment turned out to be mainly distilled water, lemon juice and the laying on of hands, at very high prices.

When I arrived at Murietta and set up cameras in the impressive offices of Dr. Rudd, he proudly showed me the parchments on the wall—his economics degree from Christian Tennessee University, his philosophy degree from Trinity Christian College in Florida. Of course, neither institution existed.

But our dalliance with Rudd led us to find out more about the big business of mail-order degrees, which brought us face-to-face with Ernest Sinclair, president of California Pacifica University in Hollywood.

It turned out that California authorities had approved California Pacifica to operate as a university, though it had no faculty, no library, no classrooms. Our cameraman, Wade Bingham, never went to class, never read a textbook, never took an exam, and yet upon payment of $2,150, got himself a master's degree from California Pacifica. An hour after it had been conferred on him, I turned up in President Sinclair's office. He was on the telephone.
Sinclair: "'60 Minutes' is here, hold the phone."

The first thing we wanted to know was how many degrees Sinclair had sold in the last few months.
Sinclair: "We have probably graduated 20, 25...I want to reach the white-collar man who has the money—that's number one."
Wallace: "So your degrees start at about $1,500?"
Sinclair: "For a BA, right."
Wallace: "And they go up to $3,500?"
Sinclair: "Right."

I asked about his faculty.
Wallace: "In your brochure, there's a picture of M Ugarte, dean of your college of education. Is he here no
Sinclair: "He's not here."
Wallace: "Rosalba Riano, the administrative assista
Sinclair: "Right. We did make communication with by telephone. She is alive and well, and she's in New Y in the Garment District."
Wallace: "Terrell Harvey, is he still the dean of your lege of law?"
Sinclair: "I could probably say yes, and I could prob say no."

Since we'd done some investigating ahead of tim asked whether in fact Sinc had previously done time education fraud in Califor for a punchboard scheme Georgia and for mail frau Alabama. He acknowled that our information was ac rate.

Shortly after his appeara with us, he was back in pri in California. I got Christ cards from him several ti the next few years.

The last I heard of Er Sinclair was a gentle note f his daughter, who said her had just died, but that he'd many a good laugh about h minutes of fame on "60 Minutes," and that he wanted to know it.

The payoffs were petty and everything was—as they say—copacetic, except that all of it was caught on "60 Minutes" cameras, hidden behind apertures near the cash register where the payoff money came from.

5 Finally, when Pam Zekman, then a Pulitzer Pr winning reporter for the *Chicago Sun-Times,* and Rechtenwald, the chief investigator for the Better Gove ment Association in Chicago, got together to try to exp small business corruption there, they turned to a busi broker/accountant named Philip Barasch, who found t a bar to invest in, a bar the *Sun-Times* (which was foo the bill) named The Mirage, full of code violations, itary horrors, dangerous wiring deficiencies and mor

Barasch instructed Pam and Bill how to make the essary payoffs to the assorted inspectors who would c by to be greased and to okay their operation without bother of repairing what was wrong. The payoffs w petty and everything was—as they say—copacetic, ex that all of it was caught on "60 Minutes" cameras, den behind apertures near the cash register where the off money came from.

I met Phil Barasch, the godfather of the enterprise,

r The Mirage had been in busi- for some months. He had con- ed to an on-camera conversation t his business brokerage.

A portly gentleman in his fifties sed in a sporty white leather coat, r at the ready, he showed up for appointment in his white Rolls- ce, and everything went happily l Pam and Bill walked in. He re- nbered them only as Mr. and . Ray Patterson, two of his col- on of 400 clients; his initial cor- ity toward them began to curdle began to dawn on him that they him cold.

st another run of the mill exposé, say? Not so. For once he realized been had, Barasch turned into a risingly forthcoming witness.

orget the petty payoffs, he said. big money came from setting up sets of books for his clients—one them, one for the IRS, with in- ctions on how to slice up to 40% eir income for the IRS version of r ledger. "But I've never had a tax d case," he told me proudly.

llace: "There are tough penal- you know. Up to a $10,000 fine, o a year in jail on each count."

asch: "Yeah, that's right."

llace: "So...between you and (and millions of others) "you do verybody does it?"

asch: "It's all over, yeah."

llace: "You mean if they put y tax accountant in jail who did kind of thing..."

asch: "They'd all be in...."

All of this, mind you, matter of ly, as from one co-conspirator to ther.

Phil Barasch died six years ago in cago. He never spent a day in jail.

THERE WAS ONE THING THAT nd all of these brigands to- er, it was their appetite for the light and their willingness to tell or at least more than I expected. haps my colleague Morley Safer it best: "A crook doesn't think really made it till he talks to '60 utes.'" •

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Grapes of Rapture

It was a dirty, lousy, rotten job, but FYI's Wine Guy returned from a hell of endless tastings with a handful of winners

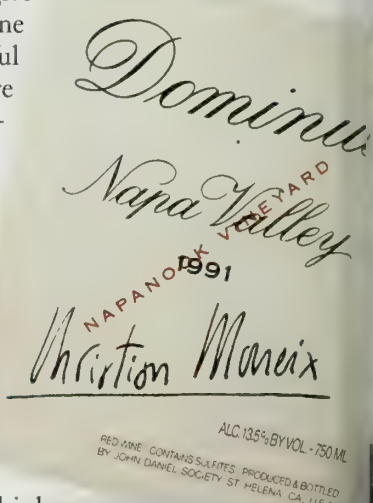
By Stephen Tanzer

A wine writer's roadwork is not all three-star meals and palatial accommodations, with a half-day here and there for tasting. On the contrary, it's sweaty drives in un-air conditioned rental cars across France's scalding Mediterranean rim, sojourns in cramped, noisy hotels, weeks without end of sullen skies and freezing November drizzle. On his sixth consecutive ten-hour day of tasting, even a wine guy would rather stay in bed than drive through killer fog to slurp and spit tooth-chilling Burgundy at 8:30 in the morning. Take my word for it: your tongue begins to feel alien, and indeed you wish it belonged to someone else.

The payoff for this toil is the thrill of discovery, the occasional wine that proves alchemy is no myth. The best bottles are magical: sometimes it's hard to believe they're made from mere grapes. Among the several thousand new wines I've tasted this past year, here are five that are stamped forever in my palate memory.

1 **1990 Côte-Rôtie La Landonne (Guigal):** Marcel Guigal has almost singlehandedly elevated the reputation, not to mention the prices, of Côte-Rôtie's syrah-based wines with his trio of super-cuvées: La Mouline, La Landonne, La Turque. Guigal's 1990 Côte-Rôtie La Landonne, from France's greatest vintage for syrah in a generation, shows off this world-class variety in all its savage splendor, melding scents of cassis, leather, flowers, truffle and smoked meat, and boasting vibrant fruit of wondrous concentration and an explosive aftertaste. Fresh acidity and substantial ripe tannins give it buns of steel. A wine with such powerful underlying structure shouldn't taste so outrageously good today, but why complain? (About $175-$200.)

2 **1991 Dominus Napa Valley:** Christian Moueix of the Bordeaux firm Jean-Pierre Moueix, which owns or manages a host of much craved Pomerols including Château Pétrus, has applied his savoir faire to California's Napanook Vineyard. Moueix's Bordeaux-style American wine has been controversial from its birth in 1983: many of California's wine-by-the-numbers technocrats have found it too tannic, too gamey, too flamboyant, too…French. In recent vintages, however, the tannins have been softened, the wine's animal character has been tamed, and Dominus has become suavity itself without losing a whit of richness. The '91 is the best release to date. With aromas of coffee, mocha, cedar, spice and black fruits, the consistency of liquid velvet, and the silkiest imaginable tannins, this luxuriously and seamless cabernet-based blend is the most compelling American wine to cross my palate in years. ($50.)



3 **1993 Musigny (Domaine Leroy):** How do you get winedom's ultimate out-of-pocket experience? Combine an owner who spares no expense in her quest for perfection, a Burgundy vineyard that is arguably

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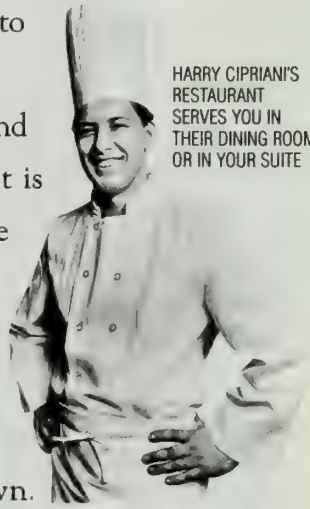

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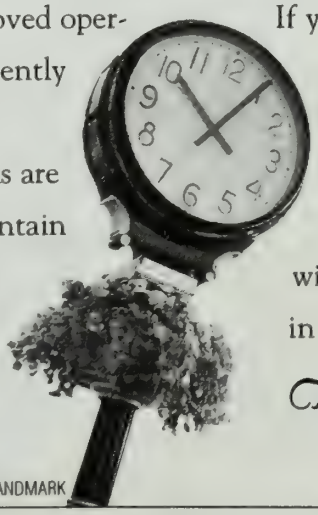

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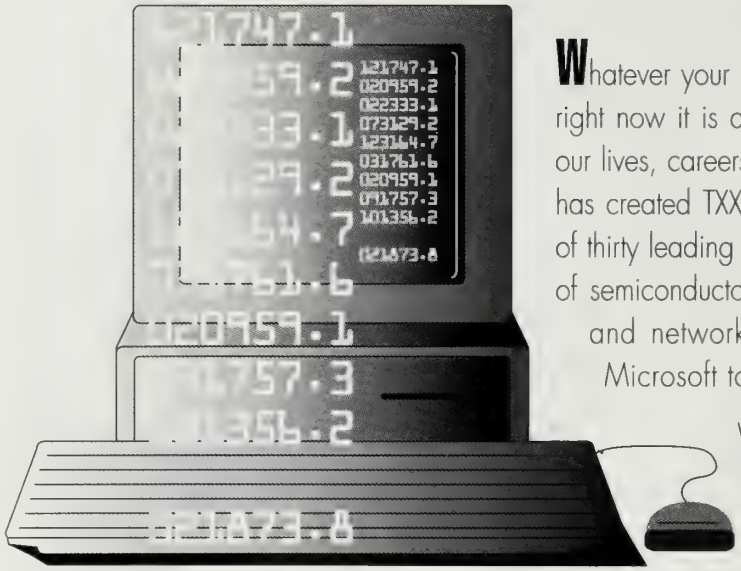

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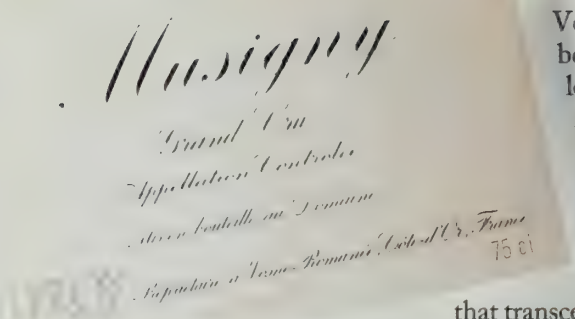
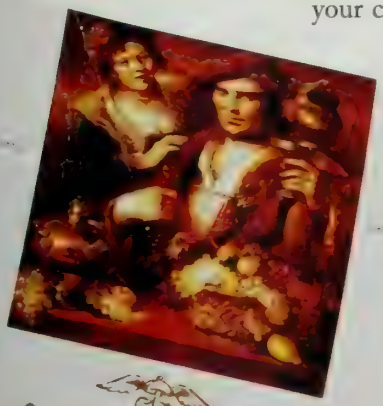
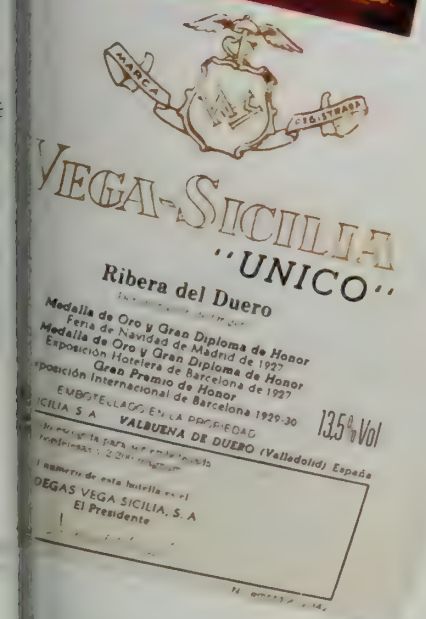
w·ld's greatest, and a all harvest that pro- d·ed pinot noir with the p·ential for longevity. I·ou Bize-Leroy's 1993 M·signy turned my head a·und with its aristocratic a·mas of minerals, iron and b·k raspberry, uncanny sweet- n·s and voluptuousness in the m·uth, and palate-staining finish. T·s is a singular wine that some- h·v combines impossible richness and the utmost finesse. J·: three barrels were made—about 900 bottles—and at p·ss time a price had not yet been set for this nectar. But e·ect it to be well into the "if you have to ask..." range—M·ou can find it. A note for the price-insensitive: Leroy's M·3 Chambertin, Romanée St. Vivant, and Clos de la R·he are in the same quality league, so don't turn up your n·e at a bottle of one of these.

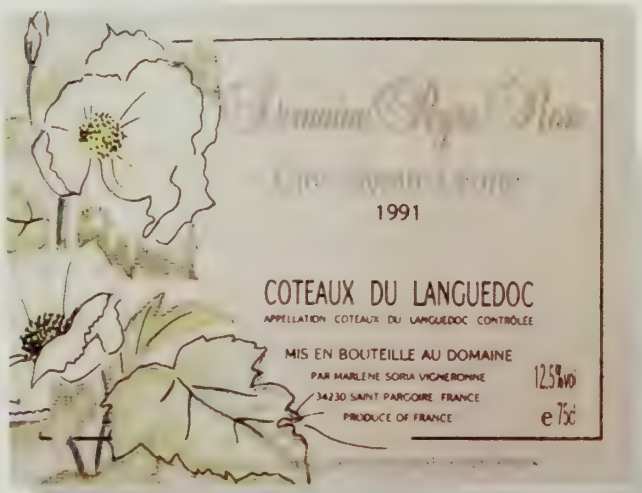


4 1968 Vega Sicilia Unico: When I visited Spain last fall, the security booth at the entrance to the Vega Sicilia estate in Ribera del Duero was the only place be- s Immigration where I was asked to show my passport: you'd be worried too if you were sitting on multi-million-dollar stocks of your country's prici- est wine.





Vega Sicilia's flagship Unico bottling, made mostly from the local tempranillo grape but also including some cabernet and merlot, is a wine of roasted ripeness, exceptional sweetness, and claret-like class and ageability—one of a handful of world-class wines that transcend their regions by sheer force of personality. The strongest vintages of Unico are held back for 20 years or more before being parceled out to crazed collectors. I would have pegged the remarkable 1968 Unico for a five-year-old wine, judging from its saturated red-ruby color, exotic aromas of black cherry and black raspberry *eau de vie*, uncanny intensity and ripeness, and endless, fresh finish. Recently released magnums of this wine were snapped up in America for about $400 apiece.



5 1991 Coteaux du Languedoc Syrah Léone (Domaine Peyre Rose): Marlène Soria's ramshackle property on a dusty hillside outside the Southern French town of St. Pargoire is one of the most rustic wine operations I've ever visited. Soria is largely a self-taught winemaker; following her first vintage in 1988, she had to sell off her 1989 crop to a local *négociant* because she ran out of money. Her property still has no electricity, and the wines are made in a garage. But the juice inside Soria's metal tanks is pure *sauvage* fruit and soil character. The ruby-blue Syrah Léone offers kaleidoscopic scents of blueberry, licorice, violets, minerals and fresh blood, and the great concentration that comes only from tiny crop levels. Prices are sure to rise for the extraordinary Peyre Rose wines (there's another superb bottling called Clos des Cistes, also mostly syrah) as demand grows and Soria invests in new barrels and other winemaking equipment. But for now, her elixir can be had for 15 bucks. ●

STEPHEN TANZER *writes the Grape Juice column for* FYI.

5 Dismal Moments In The American West

Why cowboys sing the blues

By Coyote Jack

1 One of the absolute masters of the dismal moment was ol' George Armstrong Custer. Last in his class at West Point, he of course wished to be President. I can see his point. Time I'm thinking of, though, he was out on the Great Plains on vacation, with the likes of Buffalo Bill. Custer'd brought along his wife, Elizabeth, and everybody in the party was having a fine time shooting everything that moved from horizon to horizon.

Just as a nice lunch ended, a small herd of buffalo appeared, and Custer gallantly asked to borrow his wife's horse. He would just go right on out and shoot her a buffalo. With his pistol. She flapped her fan a while and looked awed. Off he goes. He gives chase to the buffalo, and he singles out a big bull and he rides like hell up close and whips out his pistol and takes careful aim from the plunging saddle and shoots the beast in the head.

The horse, I mean. This helps clarify later matters.

2 Ever hear of Bummer Dan? This is an early failure of the welfare state. Bummer Dan was, well, a bum, in Alder Gulch during the big strike there. He cadged drinks and meals until his pards grew weary and so they took up a collection and got him an outfit complete with burro and they gave Bummer Dan a rousing farewell party which lasted until dawn, and then they heaved him on the burro and slapped the burro's flank and Contained Capitalism lurched off in search of its dream. The burro headed uphill more or less out the back door, but before long ol' Bummer Dan fell off, his friends having neglected to tie him on. He snoozed facedown on the yellow grass while the burro grazed. The sun beat down and eventually Dan opened one pain-wracked eye...something gli down there in the grass roots. He opened the other Uh-huh. He staggered to his feet and then to the b and got his claim stakes. Thus was found the richest c in the richest gold find in all of North America, save Klondike, some 300 feet back of the outhouse from saloon his buddies gave his going-away party in. They pressed joy at Dan's good fortune, but I don't believe

3 Ever hear of aerial bulldogging? Bulldogging, as must know, is when some fool cowboy jumps horse and grabs a steer's horns and rassles it to the gro (No, I've not done it.) Back in the early '20s, when the

Aerial bulldogging was not a sport for the faint of heart...o sound of mind.

Wild West Show was touring, they were always looking for a new gimmick to please the crowd, and some bright feller suggested that a cowboy could go up in an airplane—one of those barnstormer bi-wing things—and crawl down a rope ladder and leap from the air upon the steer. A not-too bright cowboy volunteered, and got on the plane. It takes off, he crawls down the ladder, hangs on, and the pilot dips down into the arena, where he spots the steer. The steer looks up and bolts and puts on speed better known in cheetahs and he's dodging real good. The pilot jockeys the cowboy over the fleeting animal and...well, the pilot has plumb forgot the huge 101 sign at the other side of the arena and the sole survivor was the steer. That was the beginning and the end of aerial bulldogging. I use this story to illustrate my lecture on How To Make A Good Cowboy: Catch A Sheepherder And Beat His Brains Out.

2 Rodeo cowboys are a most particular breed, and one of the most particular of those was Casey Tibbs. A round champion cowboy, was once upon the cover of *Life* magazine, and he was known to drink a bit and to play cards. One time in Cheyenne he and some of his chums were sitting around a table in the hotel, playing a little hooker. It was hot, and all they was wearing was their undershorts, bandanas, stitches and such. Casey was holding all the money, tucked down in his jockey shorts, there. After a hand, he looked out of the third floor window and he screwed up his brow and says, "I bet I can tie a towel around my neck and jump out that window and fly all around the building and back in that window just like Superman." He put down a $50 and it was, as you may well imagine, quickly matched by everyone. He tucks the cash in his shorts, knots a towel round his neck, and leaps. Others ponder for a bit. Finally someone recalls that 1) Casey has not flown back in the window, and 2) he has all their money tucked into his jockey shorts.

The fellers pile into a truck and they take away and they come up and slow down behind Casey who is pushing a bicycle with one hand and a bottle of whiskey with the other. Greenbacks stick every which way out of his shorts. The cowboys inquire as to just where ol' Case might be headed.

"I'm goin' up to the truck stop," says Casey. "And I'm gonna get some coffee and chili, and when I sober up some I'M GONNA RIDE THIS DAMN BICYCLE!"

5 Finally, if you wish to experience your own guaranteed Dismal Moment in the Golden West, attend any one of the numerous Writers Conferences.

I got this old friend who's as Montana as you can get. Cowboy, hunting guide, packer, rancher, paterfamilias and wry cuss—and he writes good, too. So he wanted to go to a Writers Conference, maybe pick up a pointer or two. Off we go to the one nearby.

"Now, Bob," I warns him. "This is gonna be a group sing by a bunch of educated derelicts and I really don't think it is going to be of much use to you."

We browse around, giving ear to an alleged poet hollering blank verse heavily promoting plankton, listen to a feller read a short story which started no place and ended there, too, as the fashion is. Literature is tough and may survive all this.

The last exhibit was a tweedbag with blackboard. He was stabbing the slate with chalk and drawing little diagrams and throwing quotes over his shoulder, in that spittle-flinging gibberish passes for constructive criticism these days. We gave some listen.

"Uh," said Bob. "What's he talking about anyway?"

"Yer book, Bob," I says, ready to grab his collar if he made a lunge at the tweedbag.

Bob tucked a toothpick in his teeth and listened a moment, rocking on his heels.

"Well," he said, "if words was horses, couldn't none of them ride." •

COYOTE JACK *reports on frontier life for* FYI.

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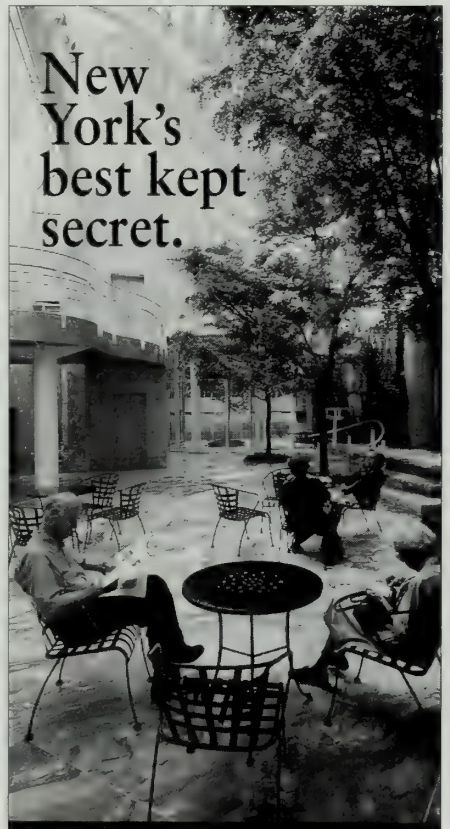

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5 Travel Epiphanies

Birth, death, rescue and other routine events on the road

By Paul Theroux

1 I was in Italy and had spent the last of my money on a Palermo-to-New York ticket on the ship the *Queen Frederica*. This was in September 1963; I was going into Peace Corps training for Africa. The farewell party my Italian friends gave me on the night of departure went on so long that when we got to the port a Sicilian band was playing "Anchors Aweigh" and the *Queen Frederica* was drawing away from the quayside. In that moment I lost all my vitality.

My friends bought me an air ticket to Naples, so that I could catch the ship there the next day. Just before I boarded the plane an airline official said I had not paid my departure tax. I told him I had no money. A man behind me in a brown suit and a brown Borsalino said, "Here, you need some money?" and handed me 20 dollars.

That solved the problem. I said, "I'd like to pay you back."

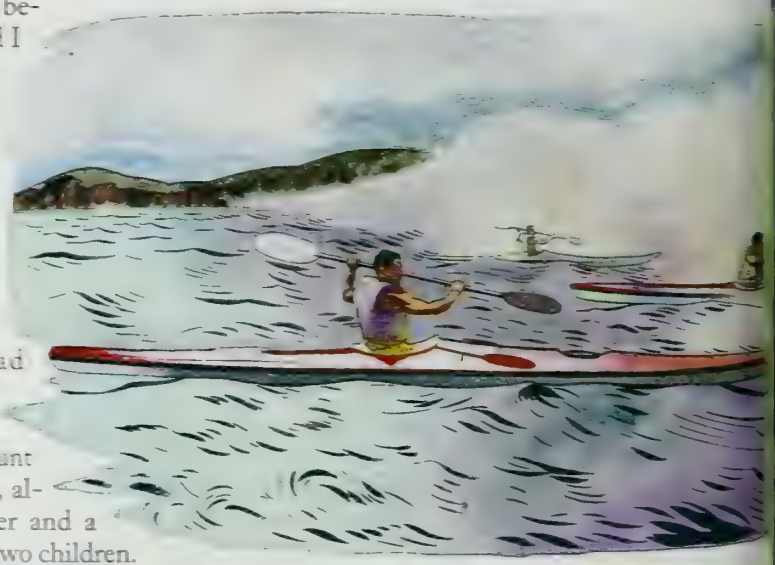
The man shrugged. He said, "I'll probably see you again. The world's a small place."

2 For three days in August 1970, I had been on the small cargo vessel the *M/V Keningau*, which sailed from Singapore to North Borneo. I was going there to climb Mount Kinabalu. I read on the ship, I played cards, always the same game, with a Malay planter and a Eurasian woman who was traveling with her two children. This ship had an open steerage deck, where about a hundred passengers slept in hammocks.

It was the monsoon season. I cursed the rain, the heat, the ridiculous card games. One day, the Malay said, "The wife of one of my men had a baby last night." He explained that his rubber tappers were in steerage and that some had wives.

I said I wanted to see the baby. He took me down below, and seeing that baby, and the mother and father so radiant with pride, transformed the trip. Because the baby had been born on the ship everything was chan for me and had a different meaning: the rain, the h the other people, even the card games and the boo was reading.

3 The coast of Wales around St. David's H has very swift currents and sudden fogs. Four o were paddling sea kayaks out to Ramsey Island. On return to shore we found ourselves in fog so de we could not see land. We were spun around by



Fear slowed my movements, and I felt quite sure that had no hope of getting back tonight—perhaps ever.

eddies and whirlpools.

"Where's north?" I asked the man who had compass.

"Over there," he said, tapping it. Then he smacke and said, "There," and hit it harder and said, "I d know, this thing's broken."

Darkness was falling, the April day was cold, we

ti l, we could not see anything except the cold black chop of t. George's Channel.

Listen," someone said. "I think I hear Horse Rock." T current rushing against Horse Rock was a distinct so d. But he was wrong—it was the wind.

Ve kept together. Fear slowed my movements, and I fe quite sure that we had no hope of getting back to ght—perhaps ever. The cold and my fatigue were like a emonition of death. We went on paddling. A long ti passed. We searched; no one spoke. This is what dy g is like, I thought.

strained my eyes to see and had a vision, a glimpse of cl d high up that was like a headland; when I looked ha er, willing it to be land, it blackened. It was a great dark ro . I yelped and we made for shore, as though reborn.

2 Just before Independence Day in 1964, when Nyasaland became Malawi, the Minister of Edu on, Masauko Chipembere, planted a tree at the sc ol where I was teaching in the south of the coun- Soon after this, he conspired to depose the Prime Minister, Dr. Hastings Banda. But Chipembere was dr en out of the country.

When Chipembere died in Los Angeles ("in exile" as A pensioner), I thought of the tree. Twenty-five years af r I left the school I traveled back to Malawi. Two th gs struck me about the country. Most of the trees had b n cut down for fuel. And no one rode bicycles anymore. Most buildings were decrepit, too. Dr. Banda was still in power.

It took me a week to get to my old school. It was larger but it was ruinous, with broken windows and splintered desks. The students seemed unpleasant. The headmaster was rude to me. The library had no books. The tree was big and green, almost 40 feet high.

5 We were driving in Western Kenya, under the high African sky, my wife beside me, our two boys in the back seat. Years before, not far from here, I had met this pretty English woman and married her. Our eldest son had been born in Kampala, the younger one in Singapore. We were driving towards Eldoret. Sixteen years before as a soon-to-be-married couple, we had spent a night in Eldoret.

The boys were idly quarreling and fooling—laughing, distracting me. My wife was saying, "Are you sure this is the right road?" She had been traveling for three months alone in southern Africa. We were in an old rental car. There were cattle on some hills, sheltering under the thorn trees. We were just a family on a trip, far away.

But we were traveling towards Eldoret, into the past; and deeper in Africa, into the future. We were together, the sun slanting into our eyes, everything on earth was green, and I thought: I never want this trip to end. ●

PAUL THEROUX's *31st book is* The Pillars Of Hercules.

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BARBADOS

THE BEST A VACATION CAN BE

Things You Should Never Say To Someone Of The Opposite Sex

Rules of engagement

By John Tierney

As Tom Hanks demonstrates every year on Oscar night, there are moments when you can spare everyone a lot of pain by not saying what's on your mind. The more obvious of these conversational taboos apply to either gender. Most guys realize, for instance, that no post-teenager of either gender wants to be told, "My, you're looking older!" We have also learned that no man or woman should ever ask a potential partner, "Do you love me?" or offer an excuse the same as "I don't want to ruin our friendship." We know—or at least we've been warned by Miss Manners—that no one should open a dinner-table conversation with "I've been on a wonderful journey of self-discovery lately, and I'd like to share it with you."

But gender-specific taboos are a little trickier. What seems inconsequential or admirably honest to one sex can be hideously rude to the other. The root causes of these distinctions are still unclear—anthropologists, biologists and psychologists all have competing theories—but there is a general consensus in the scientific community that human evolution would proceed more smoothly if each gender observed the five following no-no's.

Female-to-Male Taboos

1 "Let's see, I think there's still one condom left in this box."

2 "Do you think you'll ever make as much money as my father?"

3 (In response to "Can you see a bald spot?" or "Should I think about a toupee?" or any similar question): "Yes."

4 "What I respect about you is the way you're not afraid to reveal your feminine side."

5 "Relax. This happens to guys your age all the time."

Male-to-Female Taboos

1 "What's the matter with me? You did it with all the other guys."

2 "My mother could show you the right way to do that."

3 (In response to "Have I gained weight?" or "Do I look fat?" or any similar question): "Yes."

4 "I know a Dust Buster might seem like an odd present for Valentine's Day, but...."

5 "Do we really need to worry about birth control at your age?" ●

John Tierney *is a columnist for* The New York Times Magazine.

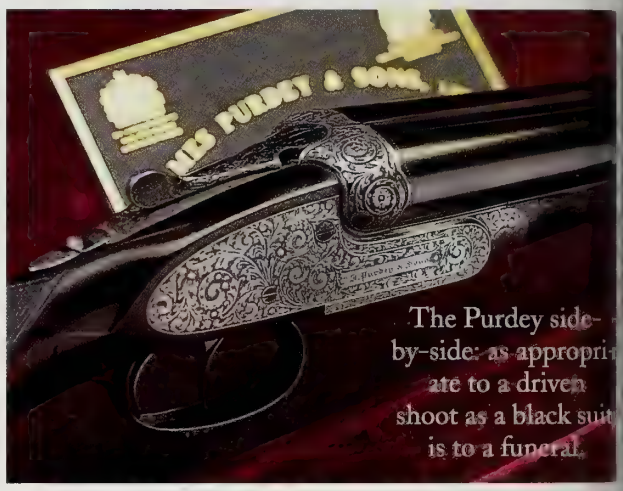
Fine Shotguns

Double guns that come alive in your hands

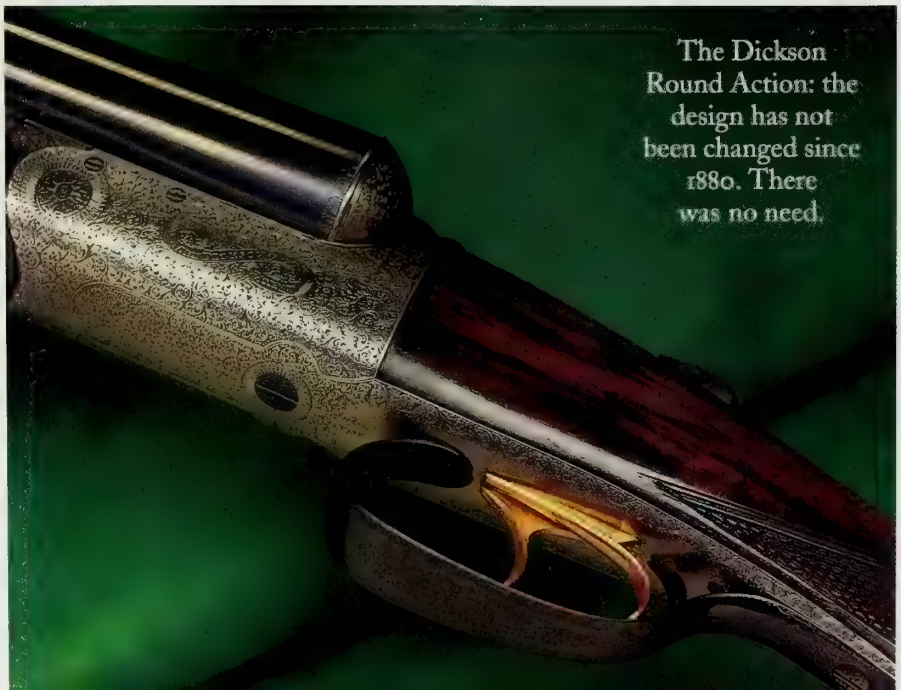
By Ted Hatfield

"No," my grandfather explained. "Over-and-under double-barrels aren't even shotguns. Women, we'll talk about when you're older." He chuckled. "All great guns are side-by-sides, a gentleman's piece, something to be treasured, used, then passed down." And I've learned over the years that he was right—for the most part.

I was raised in the gun shop he started in 1920 and went on to found Hatfield Gun Company Inc., makers of the Uplander side-by-side. Even though I know the design limitations, I always agree when upland bird hunters expound upon the doubles' advantage over modern automatics or pump guns. Amen, I say when they sing hymns to the double's light weight, balance and handling—but, in truth, these are only rationalizations for our common prejudice—we like the style. The fine double is our romantic link with the old sporting gentry, shooting estates and the camaraderie of a bygone age. The graceful beauty, the seductive feel, the perfect blend of wood and engraved steel pay homage to an epoch when quality was based on craftsmanship. Fine double-barrels are still manufactur the old way: hand-built, finely engraved, with animal bo charcoal used to color-case harden the steel and han rubbed linseed oil to finish the wood. Surprisingly, t craft still thrives in Europe and even to some extent in t U.S. Although the double-barrel shotgun w perfected before the turn of the century a has changed little in form, the advent of mo ern steel has made today's guns stronger. of these modern beauties have their spec points. To pick one over another is pur subjective—but, in my opinion, there are f that stand above the rest—and all, save o are side-by-sides. They are truly great gun



The Purdey side-by-side: as appropriate to a driven shoot as a black suit is to a funeral.


The Dickson Round Action: the design has not been changed since 1880. There was no need.

A great gun must be original in fo and artistry, and perfect for its intend use—best of show—a blue ribbon. The fi comes from the Mecca of shotgunni Scotland.

The "Dickson Round Action" side-by-si was born in Edinburgh, Scotland, the ho of "The Glorious 12th," that special day

The Winchester Model 21: an American gun. Beautiful, but sturdy and reliable as an ax.

A ust that marks the opening of grouse season. Evolving fr n the old MacNaughton Trigger Plate action, the Dickson was patented in 1880 and has changed little over t e. Designed as the ultimate gun for driven grouse on t moors, the Dickson is at least that good...probably b er. By placing the entire working action on the nar- n floor plate, most of the steel body of the gun has been r oved, leaving a slenderness never achieved in any other s gun. The effeminate lines of the Dickson suggest clas- s rt. The light weight and near perfect balance guaran- t function, while dependability from 1880 is proof of d gn. There is no other shotgun that feels so alive in the h ds of a bird hunter. However, for all its beauty, func- t and dependability, the Dickson is not considered a "F st Grade" by English standards.

A "Best Grade" must have removable l mechanisms such as the gun pro- d ed by James Purdey & Sons of L don. The Purdey has its entire work- in mechanism mounted on lock plates o either side of the gun. Legend has it t these guns came with an extra set of l s, easily replaced in the field so as to n spoil a good driven pheasant shoot if a alfunction should occur. Purdey is the o inal "self-opener." Most other shot- g s use the weight of the barrels when o ning to cock the action and conse- q ntly need a little assistance to eject the s nt cartridges. The Purdey falls open e rtlessly, ejecting the fired cases, and c s when closing. The design is flaw- l and unique. To arrive at a driven s t with a matched brace of Purdeys is c sidered "good form" any place in the w ld. Fine guns are normally sold by the p e as it is *not* considered "good form" t ad one's own shotgun. Many of the o inal Purdeys were chambered for j t load two-and-a-half-inch English shotgun shells. An employee at Purdey's once explained to me, "Those overloaded American cartridges will destroy a good shotgun," and he was right. John Olin, president of the Winchester Gun Company proved that point in 1932.

Western Cartridge Company purchased the Winchester Gun Company out of receivership in 1931 and John Olin took over as president. In his newly purchased company, the biggest money loser was the Winchester 21 side-by-side, but he loved it. He was a duck hunter. What the "21" lacked in style, weight and balance, it made up for in strength. Mr. Olin highlighted this attribute in a well-publicized "violent-proof load torture test," pitting the "21" against an A.H. Fox, Ithaca, Parker and L.C. Smith. All except the "21" failed in the first few hundred proof loads. The Winchester double went on to 2,000 rounds with no ill effect. In addition to its incredible strength, the long frame of the Winchester 21 makes for shallow barrel rotation when ejecting and reloading, a distinct advantage in an American duck blind, where loading one's own shotgun *is* considered "good form." If somewhat lacking in style, the blued frame, three-inch-chambered Winchester 21 duck gun is all business.

For the truly stylish there is only one place to go and that is Italy. The guns of the Bertuzzi brothers of Gardone, V.T. (Brescia), Italy, are, without question, stylish. Bertuzzi has incorporated a modern self-cocking mechanism, automatic ejectors and conventional top slide safety into the romantic design of the old hammer gun. This blend of style and modern function is best described as "gun art." These incredible guns, of which only about 25 are produced per year, are all beautifully hand-engraved

The elegant Bertuzzi of Italy: the traditional look of visible hammers with the serenity of a modern safety.

The Boss: an over-and-under with the grace, the lines and the other ineffable qualities of a fine double gun.

and stocked with Circassian marble cake walnut. The gun is surprisingly well balanced, quick handling and is lusted after by all hard-core side-by-side shooters. However, if your hunting companions find it somewhat disconcerting when you join them for upland game with a cocked hammer gun, an explanation of the Bertuzzi's safety features is definitely in order.

Dedicated side-by-side shooters often say that over-and-unders are perfect for people whose eyes are arranged vertically in their head. I agree, but there is one over-and-under that is so pretty, so unique and so desirable that it can't be ignored—the Boss.

The London gun company of Boss was well established when Victoria ruled. Makers of "Best Grade" side-by-sides and double rifles for the British sportsman, a Boss was a solid gun, if not par ularly unique—until introduction of the E O/U. Appearing after the turn of century, the new profile O/U—weigh just over six-and-a-l pounds—was well b anced and lively. Ho ever, the one feat that set the Boss ap in both function cosmetics was the fo end. Many other O/ have good balance slender lines up to fore-end, where t end in a bulbous ch of wood: a cosm dilemma. Boss sol this problem by swe ing the fore-end m up to the top edge of wood in a graceful a giving an impressio balance, slimness and continuity to the entire piece. T metal sculpturing is not merely cosmetic, but hou the ejector system, thus perfecting form and functi The Boss is the ultimate O/U for upland game or dri shoots, but punishing under heavy waterfowl loa The original Boss is still available, although the Bertu copy of the Boss, featured in this article, is possibly perior to the original.

To own the Boss or the Bertuzzi, a Winchester 21, Dickson or a Purdey, is to own something more tha mere firearm. All are great guns.

I know, I own two—only three to go. ●

TED HATFIELD *makes, owns, buys, breathes and sl shotguns.*

Finding The Fine Double Gun

All of the guns mentioned are still being built and sold, with the exception of the Winchester Model 21.

There is a robust market in used shotguns. The guns do not deteriorate in price or performance. When shopping for a used gun, consult a reputable dealer. New England Arms Company can find just about any shotgun ever made.

DICKSON ROUND ACTION ($28,000). John Dickson & Son, Ltd., 21 Frederick St., Edinburgh, Scotland EH2 2NE. 44-131-225-4218; fax: 44-131-225-3658.

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BERTUZZI ($12,500). (Exclusive Agent) New England Arms Co., P.O. Box 278, Lawrence Lane, Kittery Point, Maine 03905. 207-439-0593; fax: 207-439-6726.

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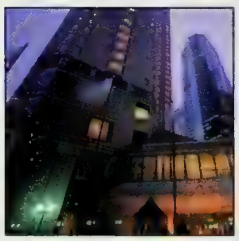

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Movieable Feasts

In film, the meal is the message

By David Taylor

We eat to live. We live
eat. We eat to pass time, to avoid work, to find comfort.
e offer food as inducement to sex, prelude to sex, inter-
ssion from sex, or closure. The rituals of dining can be
nplex skeins of mores and manners as fraught with
aning as the sacrifice of virgins or the interpretation of
lphic smoke. Of course, sometimes a cigar is just a
ar. Sometimes eating is just for fuel. But not in the
vies. The time constraints of the form are too restric-
e, two hours in which to tell the story of Lawrence of
abia, to have James Bond save the Free World, to trace
rrest Gump's rise from intellectually challenged high
ool student to intellectually challenged billionaire. If
neone is eating in the movies, it is frequently because
nething else is going on at the same time.

Indiana Jones And The Imple Of Doom
rring Harrison Ford d Kate Capshaw. itten by Willard yck and Gloria tz. Story by George cas. Directed by ven Spielberg.

Dessert was monkey brains in Indiana Jones *(left) and took place in bed in* Tom Jones *(above).*

position in a movie often necessary, d usually a disaster. The essentially visual medium ws to a crawl while people yammer on in explanation the causes of the Crimean War, the provenance the "black bird," or Batman's neuroses. Steven Spiel-g is a master of covering exposition with a feast the eyes.

Indiana Jones, Willie Scott (played by Kate Capshaw, future Mrs. Spielberg) and Short Round have landed hill country Maharajah's palace after a bumpy flight m Shanghai. Dinner promises to be memorable. The guests are splendidly dressed, red-uniformed British officers, turbaned and bejeweled local lords and ladies. The service is solid silver. There is a servant behind every place eager to jump to the diner's bidding. As the meal progresses, Indiana Jones fills us in on the history of the murderous cult of Thuggee, information we must have to make sense of the plot to come. But Spielberg shows us Willie while the exposition flows.

Willie is a delicate eater. She is put off by the "snake surprise," a lightly cooked whole python coiled around a silver tower and stuffed with live eels. The milk soup with floating eyeballs does not please. Beetles the size of a fist are a bit rich. And perhaps dessert is too much: chilled monkey brains served in the skull. Being an experienced traveler, she finds the perfect way to retire without insulting her host. She faints.

2 Tom Jones
Starring Albert Finney, Susannah York and Hugh Griffith. Written by John Osborne from the novel by Henry Fielding. Produced and directed by Tony Richardson.

If we remember one scene from *Tom Jones*, it is Tom's dinner with Mrs. Watters, a meal where the fuzzy line between hunger and lust is gradually erased. The two cravings become one the moment she leans over the table with her wonderful breasts nearly falling free, and slurps her soup with a come-hither look. Tom, all male and all appetite, rips a claw from a *langoustine*, pounds the shell away

with the butt of his knife, and waggles the pink flesh at his companion while she chuckles lasciviously. She cracks the little claws, delicately inserts them in the corner of her mouth, and sucks the meat free. From there, rhythm and heat build as Tom munches a chicken breast; she nibbles the drumstick. They rip through a roast of lamb as her face glows with grease and concupiscence. And no one ever knew how to eat an oyster until Mrs. Watters showed us. She raises the shell in toast to Tom, turns in profile, tips her head back, and slowly slithers the cool, plump flesh into her mouth. She closes her lips, turns to him, lets *everything* she wants show through her eyes, and then, chest heaving, tongues the oyster back out for his inspection. They gnaw luscious pears, letting juice and grunts of satisfaction escape from their mouths, and then race for the bedroom upstairs to consume in private whatever savory comes to mind.

Food has consequences in love— **Citizen Kane** *(above) and* **Like Water For Chocolate** *(below).*

3 Like Water For Chocolate

Starring Ada Carrasco, Lumi Cavazos, Regina Torne and Marco Leonardi. Written by Laura Esquivel from her novel. Directed by Alfonso Arau.

Food is magic, a window to the soul, an intimate expression of the cook and of the consumer. When Tita makes quail in rose petal sauce for the family, her blood is on the roses, and her essense, her every emotion is cooked into the meal. Everybody eats the same dish, yet everyone's reaction is different, singular, revealing, drawn out by what the cook invested.

Pedro, who loves Tita, but married her oldest sister Rosaura, calls the dish "nectar of the gods." Her mother, a bitter, controlling bitch, pronounces it "too salty," and it makes Rosaura, the thief of love, sick. Gertrudis, the middle sister, becomes inflamed with desire.

She overheats, flees the table, and, shedding clothes, runs for the wooden outdoor bath house to cool herself with a shower. But the heat is internal, passion catalyzed by the quail in rose petal sauce. Smoke rises from her skin. The shower turns to steam. The wooden bathhouse bursts into flames. The emanation of need and readiness is borne miles on the wind to one of Pancho Villa's captains, who abandons his men in battle to gallop down the spoor. He finds her naked, voluptuous and steaming, pulls her into the saddle, and gallops away.

Clearly quail in rose petal sauce is not a dish to be eaten without considering the consequences.

4 Citizen Kane

Starring Orson Welles, Joseph Cotten, Agnes Moorehead and Ruth Warrick. Written by Orson Welles and Herman Mankiewicz. Directed by Orson Welles.

Orson Welles was only 26 when he co-wrote, star in, produced and directed *Citizen Kane,* a highly inno tive film at the time, and still a classic upon which m present day "auteurs" draw for inspiration, and to wh many pay homage. ("Inspiration" and "homage" being s onyms in Hollywood for plagiarism.)

Welles chose breakfast to define the entire marriag Charles Foster Kane and his first wife, Emily. It is don six quick scenes with nothing between them but a WIPE, a blurring of the screen image, as transition fr scene to scene.

At the first breakfast, Kane Emily are recently married, have b out all night, and are beautifu dressed in the formal evening clot of the time. They are full of love solicitation for each other. He sit the head of the table, she at the si but close enough to touch. The tabl laden with flowers, and, curiously, crockery and cutl are barely visi There is no fo Love is sustena enough. WIPE.

Months later t are at opposite e of the table. wears an elabor dressing gown fanciful paja she a very formal peignoir, allusions to the bedroom with a propriety suitable to people who are still getting know each other. They are easy and loving, but she h minor key complaint: he went to the paper to work ten minutes and stayed the night. The table is laden w flowers. The crockery and cutlery are barely visible. food. WIPE.

They are older now, and are once again at opposite e of the table, as they will be from now on. His robe is sual, open at the chest. Her dressing gown is basic, pl serviceable. They have a settled, familiar, domestic m With good-natured arrogance he dismisses her "Un John," the president of the U.S., as "a well-meaning head." There is still affection, there are still flowers on table. There is coffee. WIPE.

The flowers are gone. Kane wears a three-piece and an air of cold superiority. Emily wears a plain ho dress and an air of amused exasperation. The fa has expanded to include "Junior," who is mention but not seen. There is coffee on the table, but body drinks. WIPE.

They are older still. He wears a suit, she a dress. Th are no endearments, no intimacies, no flowers. His tal all of business. She has little to say. WIPE.

They have aged. There are n flowers. There is no talk. Ty sit at opposite ends of t table. Each reads a newspaper. He reads his own. She reads the competition. The table is laden with cutlery and china. The mundane tools of eating have replaced the romance of flowers. The camera pans back and back and back, until when the image FADES OUT, so does the marriage.

At none of these meals has either eaten anything. What they needed was some quail in rose petal sauce.

Table talk: Meg Ryan shows how to fake it.

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Night Of The Living Dead *No thanks, I'm a Vegan.*
Jaws *Man as the seafood cocktail.*
Interview With The Vampire *Lestat, stop playing with your food.*
Alive *Him again? We had him for lunch yesterday.*

5 When Harry Met Sally

Starring Meg Ryan and Billy Crystal. Written by Nora Ephron. Directed by Rob Reiner.

A New York deli guarantees a number of things. The tabletops will be formica. The grilled cheese sandwich will have a flat, black, burned patch on one side. The waitress will have attitude. There will be a milky white puddle in the bottom of the cole slaw bowl. One of your neighbors will noisily dig food scraps from between his teeth, and nearby a man with a voice like a jack hammer will explain to a friend exactly why the home team sucks. This dining experience does not usually include an orgasm, unless you are eating with Harry and Sally.

Do women fake it, and can men tell? The binary question is as old as the missionary position and as modern as smog. Sally's performance settles the matter forever. She starts slowly with an "Oooh," and an "Aahh," crescendoes with "Oh, God, ooohhhh, oh, God, ah, ah," and climaxes with, "Yes, yes, yes," and heavy slaps to the table. By the time she takes a dainty post-coital bite of cole slaw in the stunned general silence, she is the only one in the deli eating. ●

David Taylor *writes movies and eats in Los Angeles.*

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Nights To Remember

From a life lived in the fast lane

By Taki

I live mostly at night, so asking me to remember my five *best* nights may be asking the impossible. I will, nevertheless, try.

Let's begin with the last one first: my only regret when communism collapsed was that my father—who had fought the evil system for so long—had not lived to see it. He died in 1989, so one year later, in November of 1990, I gave a formal ball in the London Savoy for 300 of my nearest and dearest. The invitation read, "To Celebrate The Collapse Of Communism." I had 30 tables for 10, each table named after a communist dictator. Nice guys such as Lenin, Stalin, Ceaucescu, Zhivkov, Kadar, Mengistu, Mao...you get the picture.

I tried to place my guests in tables which somehow were appropriate, i.e., Count Nicolai Tolstoy at the Lenin table, and the Duke of Northumberland at the Tito one, as the duke's uncle had been parachuted into that miserable land during the war. I was at the Nico Zachariades table, Nico being the man who tried unsuccessfully to do to the Taki family what Castro has been doing to Cubans these past 30 years.

The orchestra I picked was one whose repertory did not include anything composed after 1959. Even if I say so myself, the party was a success, mostly because of the mix of writers, journalists, Oxbridge dons, aristos, Eurotrash and many beautiful young women. Around midnight, Jay McInerney, Morgan Entrekin and I went outside the Savoy, facing the River Thames, to get some air. That is when Joan Collins pulled up in a mighty limo—she was appearing in "Private Lives"—took a look at me, and exclaimed: "Oh, darling, how sweet of you to wait for me all this time." Stars will be stars.

Guy de Rothschild's ball, back in the '60s, was the last of the great parties.

Switch now to 1958, to the Eagle Club Gstaad, for a moonlight party. Gstaad, as everyone w has ever heard of the jet set knows, is the Alpine Mecca the rich and aristocratic, or at least it was back in the g old days—the Fifties. No sooner had I finished w school, I decided to make Gstaad my winter headquart The Eagle Club was founded the year before my arrival 1957, by persons who thought St. Moritz was full of people with new money. T then Earl of Warwick, Foulk his friends, was the first pr dent. When I was introduce him he took an immediate lik to me. It seems I was the f Greek he ever met who co speak a foreign language. I voted a member the very da the first moonlight party. T consisted of revelers taking chair lift up the mount around eight in the evening, bibing, or rather decimating Eagle's fine cellar, and fin skiing down by torchlight.

On my first moonlight p my friend John Zograph nephew of the only man to b the bank at Monte Carlo, one of his usual bright ideas. ordered a Palace Hotel che make three enormous cakes c sisting only of cream. Our target was Karim Aga Kh recently enthroned as living God for millions of Isma Unknown to us, the Aga was accompanied at the party the British ambassador to the United Nations in Gen After a few warm-up drinks, we attacked: in a matte seconds both august gentlemen and their ladies were c ered in cream.

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The Aga, a prudent man, said nothing. The ambassador came over to our table and demanded that we stop. I threw another cake at him point-blank, but he grabbed my arm and flipped me over the table in a classically executed judo throw. As I was going down, however, and despite my surprise at his very undiplomatic knowledge of that particular sport, I hooked his belt and brought him down with me. Zographos, drunk and uncoordinated, ran over to separate us, but only managed to strike the poor Englishman's eye with his ski boot. It looked simply awful. Two Greek bullies against a diplomat. Foulke Warwick stepped in.

Now to say that Foulke liked to drink would be a gross understatement. Rumor has it that by the time he decided to play U.N. in the fight between us and the U.N., he had already drunk 12 whiskey sours. So while the violins played polkas and members danced on the tables, Lord Warwick and we huddled together trying to solve the problem. After a few more drinks, Warwick announced that his grandfather had thrown the hall porter of White's club into the fireplace because of impertinence, so he therefore understood our anger. The ambassador had kittens when he heard that. That is when Zographos had an even better idea. He told Foulke that as the ambassador was not a member, he should be told to leave and then everything would be hunky-dory. Some of the crowd cheered. We skied down as dawn was breaking, having made friends. The next day we were both suspended for one year. But it was worth it. Ironically, the ambassador, now retired, has been a good friend of both of ours ever since that memorable, if thuggish, night.

After a few warm-up drinks, we attacked: in a matter of seconds, both august gentlemen and their ladies were covered in cream.

John Aspinall is England's greatest gambler, wild animal breeder and party-giver. Aspinall has been taking my money and giving it to the wild animals he breeds ever since I can remember. He owns two great country houses, where his zoos are located, plus his London home and his casino. Back in 1965 he threw a bash which he called The Feast of the Diadochi, named after Alexander the Great's successors. Aspinall is known for his extravagance and showmanship, but that night has remained special in the minds of all who attended.

It took place at 44 Berkeley Square, in a beautiful 18th-century house above Annabel's, the famous nightclub. The British aristocracy had not as yet been bled dry, and large parts of it were present. The staircases were festooned with dwarfs, while acrobats, conjurers and tumblers roamed around the gilded rooms. Lord Derby, of horse race fame, the Dukes of Devonshire and Marlborough, Lord Lucan, later to murder his nanny (while trying to kill his wife), Henry Ford II and others were gambling hundreds of thousands of pounds while dining and drinking off gold service. Suddenly two enormous tigers began to roam the rooms, while a lioness came and settled next to l Derby, who just happened to be the bank at that par lar moment.

"Go on, John, deal the bloody cards," was all Lucan and Derby did. All of us were too drunk, or amazed, t scared. Mind you, I will never forget one of the dwarfs, hid underneath the *chemin-de-fer* table and asked if th imals were for real. Derby was the big winner. Lu words were prophetic. "I would have been better off b been eaten by the tigers." Twelve years later he was e by the fish in the bottom of the English Channel.

In 1980 a good friend of mine, Tim Hanbury, engaged to be married, and as he was a rather popula low, his friends gave parties for him and his future One of his closest friends and a fellow usher was Ja Guinness, heir to Lord Moyne, and of the beerage, a Guinnesses are known. Jasper was also engaged Clarissa Baring, yes, of tha mous banking family. (I Jasper and Clarissa are now r ried to others; their engager was rather short-lived.) At o the last parties before the g day, the Queen was among guests, but she went unnot to some of us who had been ebrating since lunch. Wher hostess asked Clarissa over introduced her to the monarch, Clarissa said, "Oh no don't. I know who you are. You can't fool me." La Ba then turned around and announced that the lady pret ing to be the Queen was actually a certain Miss Jones, makes a living impersonating Elizabeth II on the stage in commercials.

It got worse.

Here is the fifth, which was the best, so kept it for last. When Guy de Rothschild decided to the last ball at his château of Ferrières, an era, as they came to an end. The ball was splendid, the worlds o ters, art, business, society and fashion making up the g list. I will not drop any names, however. The last ba Ferrières says it all.

It was June, and the dawn came early. While the chestra played the haunting tunes they play late at n I took a walk outside the magnificent baroque palac was eerie. Beautiful but not sad. The old order was o way out, and Guy knew it. Gentleman that he is, he quietly. This was back in the late Sixties. And altho he and his wife are still alive and well, there has never a ball like it since.

I doubt there ever will. ●

Taki Theodoracopulos *writes for the* London S tator, The London Sunday Times *and* The New Post. *His most recent book is* Nothing To Declare.

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Things Bob Woodward Learned in the Sixtie

As told to Deep Throat

1 1960. *The janitor probably knows.* In high school I worked evenings as the janitor in my father's small law office down the street from the courthouse in Wheaton, Illinois. During my first weeks of evening dusting, sweeping, wastebasket and ashtray emptying, I examined the files and papers on my father's desk. Curiosity escalation soon led me to the papers in his desk drawers. Within weeks, I was on to his partners' desks and files, and next I was drawn into the entire firm's disposed files stored in the attic. At first haphazardly, and then rather systematically, I learned many secrets of the law and of Wheaton.

Some people think that taxicab drivers and waiters don't listen.

2 1964. *Reporters have the best jobs.* I first read Robert Penn Warren's *All The King's Men* for an English class in college. The book tells of the rise of a Southern politician, Willie Stark, a man both corrupt and visionary. Stark and his circle are eventually destroyed by outside forces and themselves. Jack Burden, the sometime newspaper reporter who narrates the story, also fouls up. But he sees as much of the story and its potential meaning as anyone. And in the end, unlike the others, he survives and glimpses the great lesson: things could have so easily been different, even better.

3 1966. *No system is perfect.* As an ensign in the U.S. Navy, I was assigned to the *U.S.S. Wright*, then a floating emergency relocation c at sea for then-President Johnson in case of nuclear w The ship had a set of top secret codes used to authe cate nuclear war orders from the President or his suc sor. Under the rules, two officers had to be present w the codes were transferred, handled in any way, inve ried, or used. I was one of two officers in charge of *Wright*'s set of codes, which were kept in a small safe

Ensign Woodward (third from left), aboard the U.S.S. Wright *in 1966.*

side a large, high-security, walk-in vault to which only other officer and I had the combination. The door to small safe inside was secured with two standard fe hasps welded to the small safe door. Two combina

ks—his and mine—secured the e. The locks were of the cheap bi-le variety. When one of us was off ship or asleep, the other could e easily pried off the other hasp l lock with a large screwdriver or all crowbar. With the codes and access each of us had to the com-nications systems, I believe it uld have been possible to send authenticated order for nuclear nch. All hell would have broken se. I am confident that in normal ceful conditions higher authori-would have intervened and no pons would have been actually nched. In a time of serious ten-ns or crisis...I am not so sure. er, the security system was al-edly improved, but opportunities catastrophe still abound in the st important and sensitive busi-s of the nation.

1968. *It's hard to stop a large moving object.*

as later transferred to the *U.S.S.* c, a large guided-missile frigate. e evening as the ship was entering t under the control of a pilot, I s next to the ship's captain. The t came in way too fast. When the tain realized his ship was going to the pier head on, he tightened. s shouts, his pure fury, his com-nds to the tug boats were all too . The *Fox* plowed into the cement r, leaving a giant gash in both pier d ship. Many, including the cap-n and myself, were deeply worried ut storerooms in the forward part the ship. Nuclear weapons were t there. But that was supposed e a secret.

1968. *You never know who you're voting for.*

ring the presidential election of 8, I was still in the Navy and voted absentee ballot. Certain that he d the best chance of ending the tnam War quickly, I voted for hard Nixon. ●

EEP THROAT *is: a) Alexander ig, b) Len Garment, c) John Dean, G. Gordon Liddy.*

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The Writing Of *Take*

One novelist's big book obsession

By D. Keith Mano

Take Five took nine. Years, I mean, for me to write it. But, hell, that was okay. When Art buffeted you about the head, gorgeous women of a certain wise and literate ardor would come and turn your bed covers down. So I had been told. And a photo of Marilyn Monroe with—good grief—Arthur Miller nailed it flat.

In 1963, when I came out of Columbia, everybody semi-sensitive was writing his or her Great American Novel. You remember us then? We read *Ulysses* and even enjoyed parts of it. In that year Updike brought out *The Centaur*. It required both attention and responsibility to language. Updike got the National Book Award—and a wise, enthusiastic readership. Many women, I suspect, offered to turn his bed covers down.

Then things went sour with serious prose. Television, film, personal computer, rock, VCR, Nintendo—whichever or all, somehow I didn't notice. From 1968 through 1973, I made myself extrude six novels ("an epic from Bob Southey every spring"), all well enough received. But I didn't have my big book. The one that, when placed in a briefcase, will crush your egg salad sandwich. And so I came up with this: a novel about someone who would lose his senses one after another, said book to begin on page 555 and end at zero, numbered (but not read) backward, and all about, yes, t numeral five.

Stigmata. Great Lakes. V. The Soviet economic pl Fifth Avenue. Dah-dah-dah, *DAAHH* from Beethov One glove. A Brubeck tune. Oh, penta-anything. N protagonist, Simon Lynxx (count the letters), born May 5, 1955, deprived gradually of sight, sound, sme taste and touch, is drawn, against his will, through a sp itual fifth dimension. All t was one major pain to co coct, believe me.

But you ain't seen bup yet. *Take Five* was suppos to be my big book, you call. So I wrote the ent text—dialogue aside— iambic pentameter bla verse, which I later set prose. Adhering to t unappealal law througho "You may not rep any of the followi until ten words or m have intervened afte previous usage." Y may not repeat any the following (repe tion for emphasis allow, but do not encourage): an, the, with, to, for, of, until, since, befo unless, in, on, at, from, by, so, is, are, was, we through, had, have, would, could; every co junction except "and"; all -ed, -ing, -ly, -ti -ous, -ible, -er, con-, dis-, pre-, un-, word for and—get this killer—your letter "s" as plur possessive or present tense indicator. (*Take Five* is wr ten in the present tense.) You could get spiritual phle

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itis gerrymandering all that.

Obsessive madness? Well, no ki ding. Weird part is, though: if y practice my repetition rule scrup lously, your prose will impro Guaranteed. Take this famous und achievement as just one example:

"*Four* score and seven years ago c fathers brought *forth* on this *con*tine a new nation, *con*ceiv*ed* in liberty, a dedicat*ed* to the proposition that men are creat*ed* equal."

Fair writing, certainly. Yet the re etitions, as italicized, are awkward a show lax effort. Run it all though dependable prose-enhancer and y might get instead:

Near one full century ago, our f thers brought forth on this contine a new nation, born in the seed-time freedom and certain at heart that men are created equal.

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When I presented the 1,400-pa manuscript of *Take Five* to my edit she said:

"After nine years' work, I gue well...you won't be changing a of this."

"Ah, no. I think I've got it rig by now."

"Good," she said, "then I wo have to read it."

1,756 copies of *Take Five* were s out for sale. The critical response w spectacularly generous. Nonethele somehow, 1,817 were returned. Je did a similar trick when feeding t 5,000. Am I bitter? No, not now more than 13 years later. In 1995, I alize, a novel as ambitious as mi simply could not be published at I was fortunate.

Probably you didn't notice, but t entire piece—quotes excepted—w written in *Take Five* prose. There one forbidden repetition. Write n care of *FYI*, for a 55-cent prize if y can locate it.

By that time you'll know h Simon Lynxx felt (or couldn't feel) page zero. ●

D. KEITH MANO *is working* Jesus: Man And Woman, *a book on gender of Christ.*

My Best Pieces Of Advice

From someone who knows

By Ann Landers

1 Keep your cool. Speak w:n you are angry and you will make the best speech you w ever regret.

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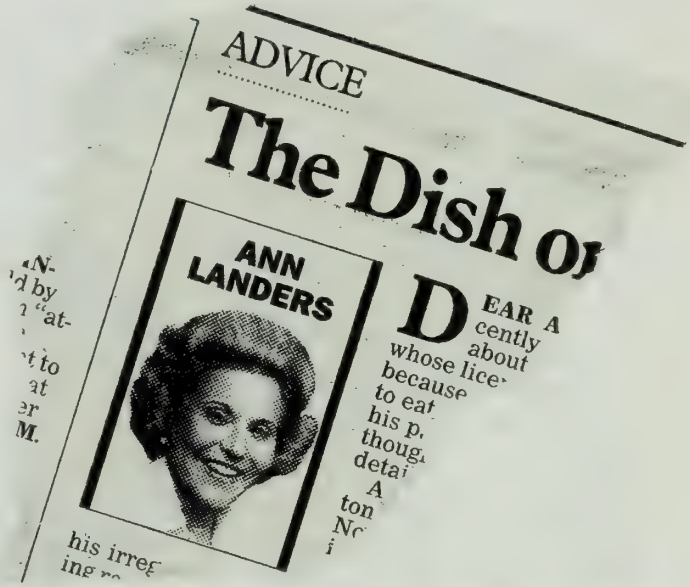
Before you repeat some juicy gossip, ask yourself, "Do I have a good reason for passing this on?" If you can't thk of one, be quiet.

Be forgiving. It's the greatest gift you can give—and it costs you nothing.

Get your priorities straight. Know what is important. Remember—the best things in life aren't things. •



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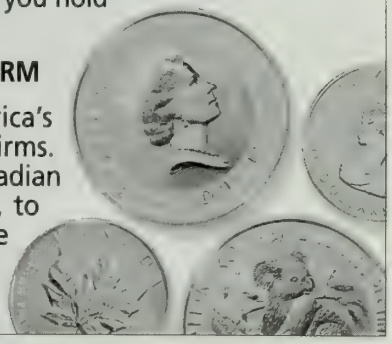


5 Meals That Changed Histor

Dining as destiny

By Joseph Heller

1 A Piece of Fruit

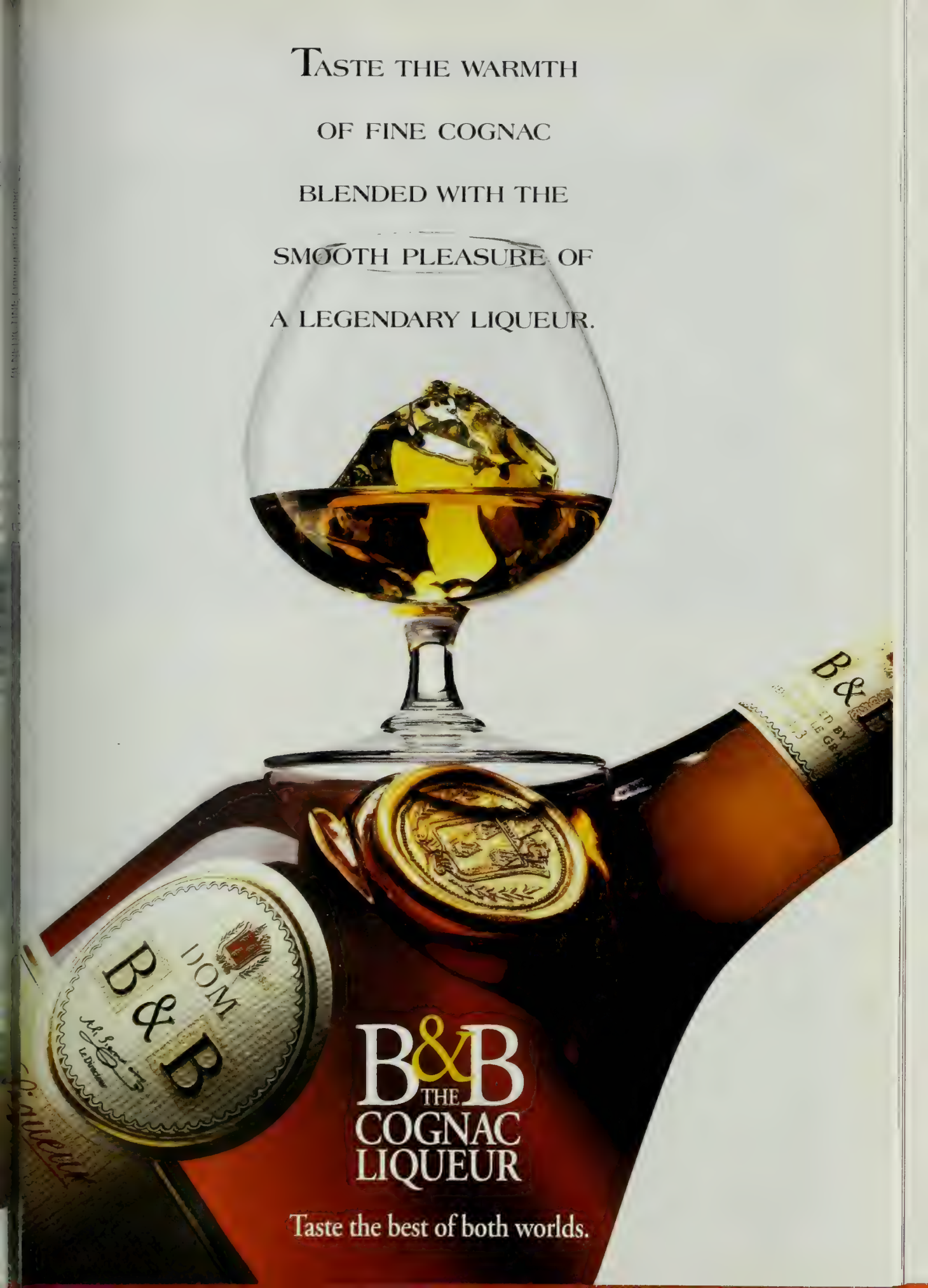
The meals that have had the greatest effect upon history and the most to do with the development of Western civilization have not always been the most elaborate. Consider the earliest about which we know. It was not a feast to write home about. The fare was simple, a piece of fruit. It is worth noting that the fruit was not an apple, conventional wisdom to the contrary. Climate and soil were not hospitable to apple trees in that part of the world in which the Garden of Eden lay, Mesopotamia, and the forbidden fruit from that Tree of Knowledge came, colloquially, to be called an apple only because scholars still don't know what fruit was intended by that Hebrew word *tappuah*. And our first parents would not have known what an apple was if they'd seen one or heard the word.

It is worth noting also in this account of a man, a woman and a snake that there is nothing to indicate the serpent was anything else. Notions of a Satan do not come into the biblical narrative until the book of Job, and that, of course, is a different kettle of fish. And disappointing though it may be to many, there was nothing sexual going on at that meal in the garden and nothing sexual in the original sin.

The punishments in store were foretold swiftly but probably not immediately appreciated. That bread must thenceforth be earned by the sweat of his brow could not have meant much to a soul like Adam, who till that moment had never had need to raise a bead of perspiration in any sort of toil whatsoever; and for Eve to hear that she would bring forth children in pain could hardly be sobering to a woman who till then had not borne children or seen any and did not know what pain was. It is conceivable that she c not even know what a child was.

For the snake, however, the metamorphosis w swift. He would go about on his belly and eat du Presumably, he had gone about on legs before, probal

My kingdom fo an Alka-Seltze could Napoleon have lost it at Waterloo becau he ate badly before the battle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four, and illustrations showing the snake winding himself seductively about a tree as he tempts Eve are morphologically incorrect.

Ejected from the Garden of Eden, our first family and their generations proceeded westward on the first phases of the historic journey that was to take them, after Noah, of course, to places like Nineveh and Cush, Haran and Egypt, and, almost before they could say Jack Robinson, into the New World and across the continent to our Pacific borders in California.

If not for the snake, Adam and Eve would still be dwelling blandly in the Garden of Eden, childless probably, for before the apple opened their eyes, they did not even know they were naked; and this land we call home would have remained undiscovered and unpopulated, even by Indians. We owe much to the snake.

2 The Grapes Of Canaan

Turn next to the manna from heaven, which proved too much of a good thing after the first *seder*, and it was the grapes of Canaan that did the trick and turned the tide to save the day, and in the nick of time.

The first feast celebrating the successful flight of the Israelites from Egypt through the Red Sea would certainly have been the first evening meal eaten by Moses and his people after they had made good their escape. It did not follow the procedures for the Passover ceremony prescribed by God, for those instructions stipulated the ceremonies to commence only in the Promised Land, which was a longer way off than any of them could have guessed. All we can say about the dishes at that first meal is that they probably consisted in large part of unleavened bread baked from the dough carried out from Egypt, and perhaps not much else. Leaving hurriedly, as the Bible explains, they'd had no time to prepare much in the way of other provisions. In commemorating the event these days, the practice at table is to proclaim with joy that, had the Lord done nothing more than bring them out of Egypt—*diyanu!*—that would have been enough!

Manna is okay when you're starving and have nothing else. But it loses savor when there is nothing but manna, and the spirit weakens with distress and turns insubordinate when there will be only *manna every day.*

For those on the spot, however, it was not enough, for by the 15th day of the second month, they were without food and sighing for the days back in Egypt when they sat by the fleshpots and ate bread to the full. They numbered some 600,000, not counting little ones, women and cattle, and they had to be fed.

Gluttonous dining was not in the tradition of biblical life. A fatted calf for a prodigal son was about as sumptuous as it got for a lavish occasion—it was just for a mess of pottage that Esau sold his birthright. But they had eat something. And they soon had nothing.

When Moses complained, there came as vowed t daily miracle of the manna from heaven, which lay on t ground awaiting them with the morning dew. Now mar is okay when you're starving and have nothing else. Bu loses savor when there is nothing but manna, and the sp weakens with distress and turns insubordinate when th will be *only* manna every day. Soon there was rebellion, a Moses again was in danger of being stoned to death.

The people wept angrily, saying, "We remember t fish we ate in Egypt, the cucumbers, the melons, the lee the onions and the garlic. Now there is nothing but t manna to look at." They demanded a new leader w would take them back into Egypt.

And Moses was wroth with God.

We cannot picture a happy ending had it not be for the grapes of Canaan brought back by the spies, alo with specimens of figs a pomegranates. No one outside Canaan had ever seen grapes large. A single cluster had to toted on a pole on the should of two men. The land ahead w indeed a place of milk a honey. So the people pushed c and 40 years later they cross the Jordan into a homeland i part of the world that has sir been named, laughably, t Fertile Crescent.

Had they turned back, t star of Bethlehem might ha been a star of Egypt, probab over the land of Goshen. A this move to the east left Euro empty and open for occupati by the migrating tribes w came moving into the continent without opposition all t way to the Atlantic itself, into Britain and Ireland, and o ward next to Jamestown, Virginia, and Plymouth Rock

3 Bread and Wine

Mr. Robin Lane Fox, the Oxford historian, avers u equivocally in his book *The Unauthorized Version* that t Last Supper was not the seasonal *seder* associated wi Passover, and there is no reason to doubt him save t writings of Matthew, Mark, Luke and John. Ceremon hailing the revival of spring were as widespread even pagan societies as festivals of light in December. Mayp revels come readily to mind. From Greek mythology th was the resurrection of Adonis each spring and the retu of Persephone from Hades for her six months of go weather on earth each year, and it may be more than li guistic coincidence that the name Adonis is so close sound and spelling to the Hebrew word for God, *adon* In any event, the city of Jerusalem was packed with ho

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FASCINATION AND PRECISION

day throngs coming there, then as now, for Easter.

The food was not sumptuous. Roman orgies were no more in fashion in biblical times than in classical Greece, where, except for the Macedonians, whose wine was unwatered and whose nocturnal feasts were apt to be enlivened by casual manslaughter, the meals even in Athens were likely to be Spartan. We know there was bread, unleavened probably, because it was broken, and wine, which was dispensed with an enigmatic significance whose interpretation remains perplexing to many. To the ancient Hebrews, among the most stringent of dietary laws was the prohibition against ever eating the blood of anything, and it is hard to imagine that Jesus, who was not yet a Christian, would recommend the eating of his.

The Last Supper as a meal is commemorated less for its quality than for the prophecies announced and the events that ensued. It is the meal that launched a thousand crusaders on missions to Jerusalem and a score of poets in quest of the Holy Grail. The prophecies were realized in a day, adding credibility to the faith in special powers and strength, later, to the belief in the resurrection. Judas, as predicted, did betray him, and Peter did deny knowing him three times before the cock crowed.

Pelops was murdered by his own father, Tantalus, who had him cooked up in a stew that, to his lasting sorrow, he served to the gods, but that is another story, a different kettle of fish and a horse of another color.

The impact of Judas on the past remains problematical, for, as Jesus himself pointed out to those seizing him, they could have recognized and taken him without violence any time while he was in the temple teaching. But Peter is something else. By denying his association, he saved his skin and lived to become the first bishop of Rome. And by journeying westward into Italy to help found the church there, he paved the way for the conversion of the barbarians on the continent into those people we have since been taught to call, with political correctness, Europeans.

4 A Meal In Mycenae

Among the most inspired of banquets on record is one said to have taken place in very ancient Greece. The repercussions upon history were felt largely, to our everlasting good fortune, in the eastern Mediterranean. But the culinary creativity displayed in the planning and preparations, along with the effect upon literature, justifies its inclusion in this dissertation on food and the growth of America.

The guest of honor at the meal was the tribal leader Thyestes, who had succeeded in seducing his brother's wife. The host was Atreus, the king of Mycenae, whose wife he had seduced. The main course was meat. The meat was the flesh of the three sons of the guest.

This was a spread that even the gods on Mount Olympus, who were notoriously tolerant of their own improprieties, looked down on with repugnance and judge not fit for a king.

Thus came about "the curse on the house of Atreus which might have had roots in times even earlier.

In retaliation, Atreus himself was murdered by a veng ful nephew. But after that, except for his son Menelau whose wife, Helen, eloped to the city of Troy and preci itated the Trojan War, and his other son Agamemno leader of the Greek forces, who had to sacrifice his daug ter in order to pursue that war, who was murdered by h adulterous wife upon his triumphant return, and who surviving daughter and son, Electra and Orestes, the murdered their own mother and, perhaps, for the who Trojan War, the cuisine co ceived by Atreus at the banqu for his brother had little effe upon mankind or prevailir fashions of hospitality and r perceptible direct influen upon the discovery of the ne world and the development the American West. It starte no catering trends. But ho lucky for all of us that the Troj War, which razed the city ar killed every male inside, toc place in Asia Minor and not Troy, New York.

(Author's note: the recipe f the meal just described may h obtained for $13.95, plus a han dling and mailing charge of $1.50. Do not send cash. Wri care of *Forbes FYI.*)

The father of Atreus, by the way, a gentleman name Pelops, was murdered by his own father, Tantalus, wh had him cooked up in a stew that, to his lasting sorro he served to the gods, but that also is another story, a di ferent kettle of fish and a horse of another color. In pu ishment for his prank, Tantalus was condemned to star in a river that would recede whenever he bent to drin from it, beneath a bower of fruit, probably grapes, th would withdraw from his reach when he tried to obta any, and there, thirsty and hungry, he stands to this day

The benefit to Anglo-American culture derivir from this episode lies in the enrichment of our vocabu lary with a tantalizing verb with expressive applicatic to eating, commerce and courtship, and, in respect our pioneering and puritanical forefathers, to the irr sistible appeal of the land lying so temptingly out reach in the Louisiana Territory, the property of th French. President Jefferson cautiously sought only buy New Orleans and West Florida. Napoleon careless threw in everything from the Mississippi to the Rocki and from the Gulf of Mexico to British North Americ No constitutional provision allowed Jefferson to mak this purchase. Had it not been for that tantalizir verb *tantalize* to justify the agreement, the Louisiar

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Purchase of 1803 might never have been made, and Kansas and Minnesota would still be French.

5 Pastries At Waterloo (and the American Frontier)

Raging fiercely still in scholarly historical circles is the unsettled argument over whether the pastry known in English as napoleons was named after Napoleon I, or whether the emperor, born Napoleone Buonaparte in Corsica in 1769, was named after the popular confection. What can be stated with almost absolute certainty is that there may not be much doubt that the cause of the indisposition which kept him up all night feeling ill could possibly indeed have been an excess of the napoleons eaten the night before, or the piles, cystitis, hepatitis, spasmodic cough, venereal disease or the duodenal-pyloric cancer from which he was eventually to die. It is also positively not out of the question that the principal dish at this evening meal could conceivably, perhaps—in Hollywood business parlance, this is known as "a definite maybe"—have been a chicken Marengo. The recipe for this dish had been cooked up for him in the field after his victory over the Austrians in the Battle of Marengo in 1800, and it is theoretically not apodictically out of the question that he might have thought of the dish as good luck. His chef Dunand had to work with whatever ingredients he found at hand: three eggs, four tomatoes, six crayfish, a small hen, a little garlic, some oil, a saucepan and his bread ration. Napoleon ate from a tin plate, and it is recorded in the *Larousse Gastronomique* that he said to Dunand after finishing: "You must feed me like this after every battle." Today, with more choice, there are gourmet cooks who prefer to substitute for the oil a rendered chicken fat called schmaltz.

It was not oysters Rockefeller Napoleon ate that night, for the Rockefellers had not yet been discovered in America. And the Royalist Chateaubriand, in exile, had not yet invented the steak.

We know it was not oysters Rockefeller he ate that night, for the Rockefellers had not yet been discovered in America, and it certainly was not chicken à la king. And the Royalist Chateaubriand, in exile in England and disgusted by the British fondness for boiled beef and mutton, had not yet invented the steak.

When daybreak came on that morning of June 18, 1815, Wellington with his Anglo-Dutch army was waiting nervously for the attack to begin, Blucher had finally arrived with his dispirited Prussians, who had taken a good pasting at Ligny just a day or so before, Schwarzenberg faced Rapp near Württemberg, Tolly was in reserve with his Russians, and Frimont was poised to lunge into France from northern Italy as soon as he learned it was safe; while on the French side, Ney was still confused about the battle plan and waiting for Napoleon to come out and enlighten him, Grouchy was impatient to charge and deep concerned about the increasing delay, and Napoleon w still inside his tent retching into his chamber pot when wasn't sitting on it.

The key element in Napoleon's genius as a milita leader had always been his ability to move at lightni speed, relatively speaking, and launch his attack befo the opposition had time to organize plans to repel hi Now, however, distracted by indigestion and hindered mud from a heavy rain, he did not begin until midda had neglected to coordinate his cavalry with his infant and later refused to send reinforcements to Ney to ma the most of the offensive when the initiative was st theirs. By 6:00 p.m., his momentum was gone and 8:00 the battle was lost.

There may be as much tru as not in the observation th Napoleon's physical conditi seemed to improve speedily retreat. His appetite restored, is not farfetched to suggest th he consumed a light eveni meal of French onion soup fo lowed by a main course chicken Marengo for good luc He made a face when offerec napoleon for dessert.

We know what Wellingt had in mind from an entry in t diary kept by his wife: "La night my lord returned from the wars and pleasured r twice with his boots on." It was not for nothing that was called The Iron Duke. Following his pleasuring Lady Wellington twice, he enjoyed a hearty supper of be Wellington, with a pastry for dessert he had come upon France called *mille feuille*. While still at table, he sent me sengers with instructions for an early assignation wi Harriet Arbuthnot (the wife of Charles Arbuthnot) stimulating woman whose company he enjoyed keen No, it was not for nothing he was called The Iron Duk

Following Waterloo, Europe relapsed pretty much in the same lethargic state as existed before Napoleon's r turn from Elba, and it has not changed much since. It w here in the vigorous new nation of the United States America that the overindulgence in the napoleon pastr before the Battle of Waterloo produced the most extensi range of opportunities. Only three years earlier the W Of 1812 had ended with concessions and recognition by t British. With France out of the way and England longer an enemy, nothing but the Rocky Mountai Indians and the Mexican War stood between the U.S. and California and the incorporation of the cities of Sar Barbara, San Diego and Los Angeles. And that was h the West was won. ●

JOSEPH HELLER *is the author of many novels, among th* Catch-22 *and its recent sequel,* Closing Time.

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EQUAL HOUSING OPPORTUNITY

Literary Drinks

And the dranks who drunk them… the drunks who drunk them…the dranks who drank them…hic

By Don Vivant

You might think Literature and Drinking don't mix, but you would be wrong, wrong, *wrong*! And there's five literary drinks right here at my elbow to *prove* just how wrong you are. (Arguing this way sort of works up a *thirst*, doesn't it?)

1 The Hemingway Daiquiri

The standard daiquiri is two ounces of light rum, one ounce of lime juice, a tablespoon of sugar, shaken with ice, and strained into a cocktail glass.

Now hear what goes into the Hemingway daiquiri, also known as the "Papa Doble" or the "Floridita double-frozen daiquiri":

2½ jiggers of Bacardi White Label
juice of two limes
juice of half a grapefruit
six drops of maraschino juice

This was all whizzed up with cracked ice in a blender in the Floridita Bar in Havana and served, frothy, in an oversized goblet.

You understand that a jigger is one-and-a-half ounces, and thus there is nearly *four ounces of rum* in each of these.

Hemingway once drank 16 of these daiquiris in one night. And walked away. There were witnesses.

That's 60 ounces of rum, just about *two quart bottles*. Amazing. Maybe you think the secret is not putting any sugar in the drink, but we've got to consider this more carefully than that. Hemingway was arguably The Greatest Writer Of His Time. And perhaps he was arguably The Greatest Drinker Of His Time. There's an equation here, and it doesn't (does *not*) seem "arguable" that the solution to th equation is: Drinking and Literature don't mix. In fac admit it: we've arrived at just the opposite conclusion. Bu perhaps you want 100% proof, not just 80%.

2 Walker Percy's Famous Ramos Gin Fizz

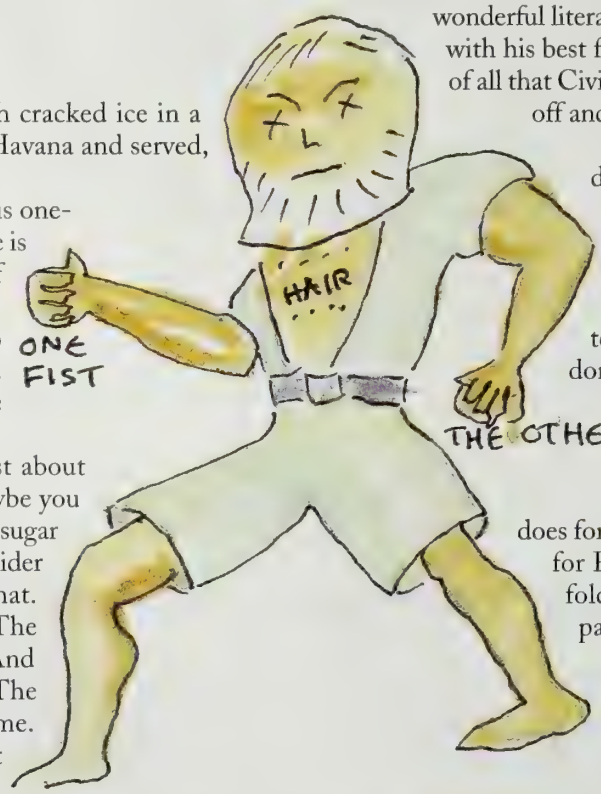
The Ramos Fizz is made with one ounce of gin, one half ounce of cream, one-and-a-half ounces of sour mi two dashes of orange juice and one egg white. You shak this up with ice, strain it into a tall glass and fill it u with club soda.

Now, all his life Walker Percy was a bourbon drinke The author of *The Moviegoer* and all those oth wonderful literary novels used to sit by the hot with his best friend, Shelby Foote, the auth of all that Civil War stuff—drinking bourbo off and on, all their lives.

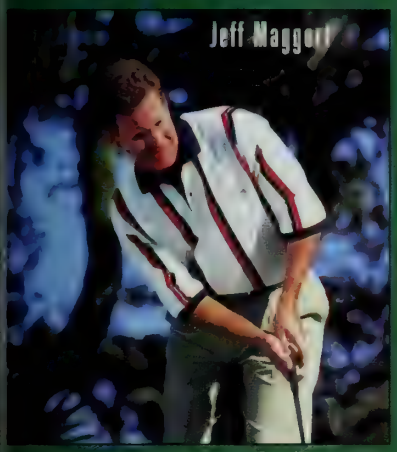
So, how did a life-long bourbo drinker like Walker Percy com to make the Ramos Gin Fiz famous?

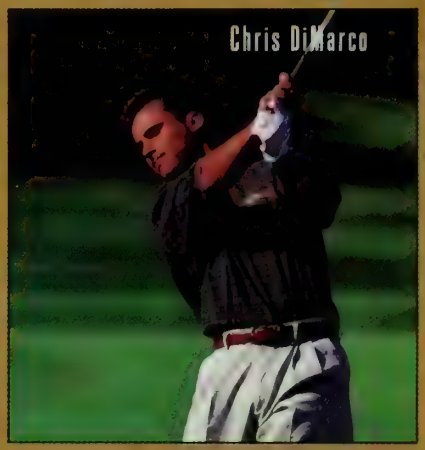
By the sheer power of h pen, that's how. And yo tell me Drinking and Literatu don't mix!

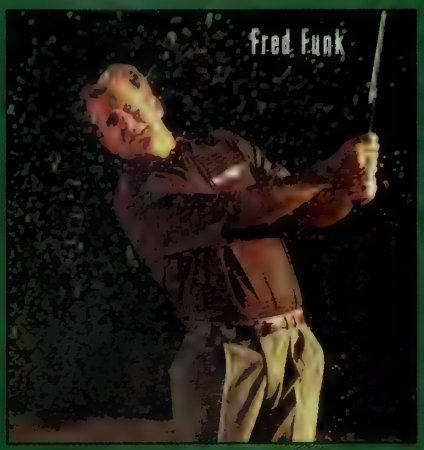
The passage occurs to ward the end of Percy lovely essay "Bourbon" i which he says that bourbo does for him what the piece of cake di for Proust—that is, evoke and un fold the remembrance of time past. The final memory of th essay is of 1941, when the au thor was sitting in a bar i New York City with a grea looking nurse from Bellev



PAPA WALKED AWAY







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Hospital. They were drinking mint juleps, the famed southern bourbon drink, but the bartender was making them badly. Finally they switched to gin fizzes because the bartender was from New Orleans and said he made good ones. "They were delicious," recounts Percy. "What I didn't know was that they were made with raw egg albumen and I was allergic to it."

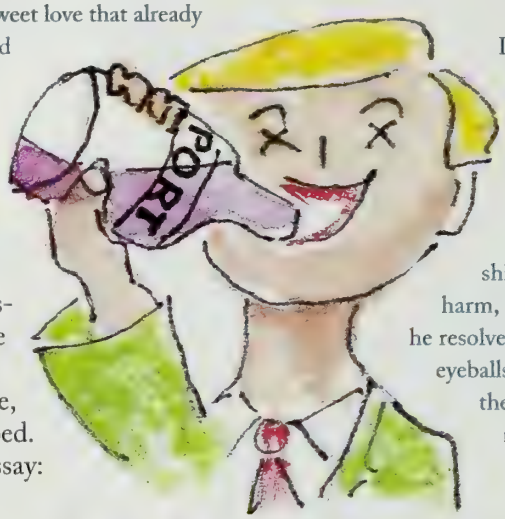
He then describes driving the sweet and lovely nurse home to Brooklyn, being in love, looking forward to being invited up to her apartment where she lived alone:

> ...and of the many kisses and the sweet love that already existed between us and was bound to grow apace, when on the Brooklyn Bridge itself my upper lip began to swell and...in the space of thirty seconds...stuck out a full three-quarter inch, like a shelf.

Kissing was now out of the question, his eyes swelled shut, he made it across the bridge, fainted, the nurse drove him to Bellevue, gave him a shot, and put him to bed.

Walker Percy concludes the essay:

> Anybody who monkeys around with gin and egg white deserves what he gets. I should have stuck with bourbon and have from that day to this.



A HALF BOTTLE OF PORT

3 Lucky Jim's Half-Bottle Of Port

It isn't really the Drink Itself that's famous here, so much as its Beautiful Consequences—as we shall see. Rembrandt will enter the discussion, so be ready.

Kingsley Amis's first novel was called *Lucky Jim*, and a funnier book has never been written. Jim Dixon is a much put-upon young academic at a provincial university. A guest at his dreadful head professor's house, Jim experiences an especially excruciating evening—not just insults, but amateur musicales. He sneaks off to a pub, sozzles himself with pints, returns, is invited into his dreadful girlfriend's bedroom, is humiliatingly kicked out of there, and finds himself locked out of the bathroom—through which he must pass to reach his own bedroom. He clumps downstairs, and in the dining room finds a bottle of port. "The bottle had been about three-quarters full when he started, and was about three-quarters empty when he stopped. He wiped his mouth on the sideboard runner, and, feeling really splendid, gained his bedroom without opposition."

Now, for the Beautiful Consequences. And enter, Rembrandt.

Rembrandt felt he could paint with such skill as to make *anything* beautiful—no matter what the subject ma ter, he could create a Work of Art depicting it realistica and dramatically. He painted a "Slaughtered Ox" han ing in a slaughterhouse—not normally a pretty sight— such a way as to create one of the world's most famo Masterpieces of Art. You can see it hanging (the pictu not the ox) in the Louvre.

Now back to Jim Dixon, who awakens next morni with a hangover that you would think would defy descri tion. But Kingsley Amis, up to the task, turns Ugline into Art in a way that would put Rembrandt to shame:

> Dixon was alive again. Consciousness was upon him before he could get out of the way; not for him the slow gracious wandering from the halls of sleep, but a summary, forcible ejection. He lay sprawled, too wicked to move, spewed up like a broken spider crab on the tarry shingle of the morning. The light did him harm, but not as much as looking at things did; he resolved, having done it once, never to move his eyeballs again. A dusty thudding in his head made the scene before him beat like a pulse. His mouth had been used as a latrine by some small creature of the night, and then as its mausoleum. During the night, too, he'd somehow been on a cross-country run and then been expertly beaten up by secret police. He felt bad.

It would be impossible, after relishing that paragrap for any sober mind to maintain that Drinking a Literature don't mix.

4 Dylan Thomas's Legendary Last One

This is probably the most famous Literary Drink of the all, and it wasn't even *mixed* (except in the stomach, course). And it may not even have *existed*. But, boy, is it mous!

Dylan Thomas is known as a "Legendary Drinker," a Legendary Drinkers are, almost by definition, celebrat people celebrated massive consumpti patterns and Jekyll-an Hyde behavior patter (You remember Jekyll, the nice Engli physician who'd tak little something bef he went out on t town at night, whereupon turned into nasty Mr. Hyd When Dylan Thomas was ba home in Wales he was more

EIGHTEEN STRAIGHT WHISKIES

is okay, but when he got over to America on the lucra-e Lecture-and-Reading Circuit, he'd succumb to all the ulation. (His wife, Caitlin, once said of him, "Never did one enjoy adulation more, or need it less"—a wife's re-rk if ever there was one.)

In New York City, on his last trip, feeling very poorly eed, he slipped out of his room at the Hotel Chelsea. e got to go out and have a drink," he said. "I'll be back half-an-hour." An hour-and-a-half later he returned, lked to the center of the room, and announced: "I've d 18 straight whiskies. I think t's the record." He was taken St. Vincent's Hospital that ht, where he died three or four s later of what the staff physi-n is said to have called "a severe ult to the brain."

That's the legend. It scarcely tters that nowhere in the hos-al records does the phrase "se-e insult to the brain" occur, or t although friends scoured the ghborhood around the Chel- they never found a bar in ich "18 straight whiskies" had n served, something you'd agine a bartender would re-mber having poured.

As long as the legend of Dylan Thomas's drink seems to be—let's choose the rd carefully—*fluid*, to say the st, why not add another little reliable drop to it ourselves. t's imagine, then, that it s Dylan Thomas's body ng in the open coffin in funeral home when rothy Parker and a nd went to the viewing of famous author," otherwise meless.

The friend was surprised at the pse's appearance. "Oh, he ks remarkably well, doesn't " she said.

"Why shouldn't he?" asked Dorothy Parker. "He hasn't d a drink in days."

"I've had 18 straight whiskies," poet Dylan Thomas said. "I think that's the record." He was taken to a hospital where he died later of what the physician called "a severe insult to the brain."

CAVORTING IN THE WHALE'S MOUTH

The Jolly Grog At Melville's Spouter Inn

s the Genius of Literature to recognize and accommo-e both the Menace and the Glory of Drinking. For a nonstration, *par excellence*, of this genius, just open your t, class, to Chapter III of *Moby Dick*.

In his description of the Spouter Inn in the whaling rt of New Bedford, Melville first emphasizes the *men-e*, depicting the place in the most threatening terms. There's a "dark-looking den—the bar" made in "a rude at-tempt at a right whale's head," within which is a bartender named Jonah, "a little withered old man, who, for their money, dearly sells the sailors deliriums and death."

That doesn't sound nice at all. But now here come the customers.

> Presently a rioting noise was heard without. Starting up, the landlord cried, "That's the *Grampus*'s crew. I seed her reported in the offing this morning; a three years' voyage, and a full ship. Hurrah, boys; now we'll have the latest news from the Feegees."

And from here on out the Spouter Inn will be as jolly as that television bar "Cheers."

> A tramping of sea boots was heard in the entry; the door was flung open, and in rolled a wild set of mariners enough. Enveloped in their shaggy watch coats, and with their heads muffled in woollen comforters, all bedarned and ragged, and their beards stiff with icicles, they seemed an eruption of bears from Labrador. They had just landed from their boat, and this was the first house they entered. No wonder, then, that they made a straight wake for the whale's mouth—the bar—when the wrinkled little old Jonah, there officiating, soon poured them out brimmers all round....
>
> The liquor soon mounted into their heads, as it generally does even with the arrantest topers newly landed from sea, and they began capering about most obstreperously.

Oh, what joy! What exalted joy, to "caper about most obstreperously." That's all John Cheever ever wanted to do, or Malcolm Lowry, or Dylan Thomas, or any of the other Great Legendary Drinkers. To caper about most obstreperously is to express Delicious Happiness, to experience Dionysian Rapture. Certainly no grown person ever capered about most obstreperously *sober*. You can't caper obstreperously abstemiously. It just can't be done. And capering about most obstreperously—that's the *glory* of it, that's what it's all about. ●

DON VIVANT *writes regularly and lubriciously about the drinking life for* FYI.

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Mortifying Moments

More importantly, how to recover

By Letitia Baldrige

Some of us make more gaffes than others. I happen to be a leader of the pack, but am consoled by the fact that *gaffe-makers are instinctive risk-takers.* I was 21 when I began my first job in Paris at the American Embassy and plunged into the world of foreign diplomacy and complicated protocol. I charged ahead in the job, leading my own imaginary Light Brigade into new territory and making one mistake after another—such as introducing people by the wrong title, putting pork on the official dinner menu for Muslim guests, beef for Hindus, and serving alcohol-flavored food to Mormon Elders. I filled our Embassy guest room, occupied by a high-ranking Asian leader, with vases of white flowers which in his culture were only to be used at the time of death. I misintroduced the new Ambassador from Pakistan as the "new Ambassador from India" at a time when Pakistan and India were almost at war. But I learned a skill at which all risk-takers should become adept: *the art of the apology*, and I have been teaching it to others in business ever since. It is the greatest survival tool of them all.

The following five case histories are taken from my *Gaffes, Embarrassing Business* file:

All of us make embarrassing mistakes in our business lives, but some of us don't even know when we've made them. Fortunately, such a lack of awareness does not pertain to *FYI* readers, who are surely sophisticated, compassionate people with empathy for the perpetrators of these five embarrassing gaffes.

1 An executive in a Wall Street firm decided to be really impressive with his gift to the head of a corporation, on whose board of directors he hoped to be invited to serve.

He had his cleaning lady polish a large (11" x 14") sterling silver frame he found in a closet, and got a private photograph of the executive from his secretary, then had it blown up to fit the large frame. He had it beautifully wrapped, and it was opened along with other presents at the banquet honoring the new CEO. The master of ceremonies, in order to save the CEO from the embarrassment of opening the presents, did the honors. He described them to the Waldorf-Astoria ballroom crowd, and read the names of the donors. He showed the large photo of

If you can recover from toasting the bride with the name of the groom's former *wife, then you can recover from anything.*

the CEO honoree to the crowd and said, quite innocently, sounding like an auctioneer, "This frame is subtly engraved on the back: ER-RW 1-14-58."

The donor of the frame went cold. Those were his and his ex-wife's initials and their wedding date. He had not looked at the back of the Tiffany frame which had been a wedding present, and one of the few things

his wife hadn't taken when she divorced him. He slunk into his seat, grateful for the dim lights on his table in the ballroom.

What he should have done: The next day he should have sent a note to the honoree, saying, "I hope you don't mind that I gave you your picture in a treasured family frame. It is a tradition in our family to send these frames with new photographs in them to our best and dearest friends in celebration. You will find that the silver one I sent you bears wonderful memories and will bring you good luck. I saved it when we were divorced, because it meant so much to me. I hope it will bring you the same happiness it brought me." It's called disaster recovery.

2 A woman vice president chatted with her sixtysomething CEO at the company's annual golf outing, and praised the youthful beauty of his daughter, who had accompanied him to the event.

The CEO was unknown to most of his people except for the most senior management. The young vice president thought she could earn some brownie points by flattering the big boss. "You must be very proud of her," the vice president continued enthusiastically. Then a colleague pulled her aside and tipped her off to the fact that the pretty young thing was not his daughter, but his brand-new trophy bride. The vice president's face turned shades of fuchsia, strawberry and a sickly orange. Another colleague rubbed some more salt into the wound when he whispered to the embarrassed woman, "Be consoled. At least you didn't tell him you thought the girl was his granddaughter." She had come out to the golf club with a colleague, but she was so upset, she decided to flee. She went into the clubhouse to call a city taxi 23 miles away, and when the cabdriver arrived, he found her hiding in the locker room.

What she should have done: After hearing that the young woman was the CEO's wife, not daughter, she should have gone right back to him and when no one else was able to hear the conversation, she could have whispered, "I'm really sorry I mistook your wife for someone else in your family, but my mistake proves that you have great taste. She is charming, bright and also has great taste herself. That makes both of you winners." She could then have quickly left and forgotten that the episode ever occurred. If any of her colleagues teased her afterward about the incident, she could have said, "Listen, at least the CEO knows who I am and what I look like. That's more than I can say for the rest of you."

When he abruptly turned to serve himself, he caught the waiter's tray on his bicep, and down it went. The dessert streamed out of its silver bowl—a mushy pink-and-white sea of collapsed soufflé all over the rug.

3 A young lawyer made a fool of himself while making a toast at his client's daughter's wedding reception.

Warmed by a trio of glasses of Champagne, he rose toast the bride. A good public speaker, he praised virtues and loveliness, but while raising his glass in the f salute, he called out the name of the wrong woman. called the bride by her groom's ex-wife's name. The that the divorce proceedings had been prolonged and ter did not help. In order to forget this terrible faux the lawyer took another glass of Champagne and spent rest of the wedding reception outdoors, sitting alone o garden bench in the company of some birds.

What he should have done: First, he should have gone to the bride and said that if there were a sword handy, h do away with himself immediately. (An exaggerated ap ogy, that makes a person smile, works.) Then he sho have told the groom that if he could, he would jump i a flaming lake to make amer Then he should have reques the best man to allow him make another toast at the mic phone. This time he would h said, "Cancel everything I s about that other bride. We know that (and for goodn sake, use the bride's *correct* na this time) is not only more be tiful and talented than previo described, but that she is known for her kindness character. And she possesses most important quality of al she is *forgiving*. In fact, she her husband (here he would r his glass toward the groom) both going to forgive me, so here's to the most superb r couple in America, and here's to FORGIVENESS!"

4 A woman executive forgot an engagement that was extremely important to her host.

She and her spouse were the guests of honor at this d ner. Important and prominent guests were invited by nervous host. However, the guests of honor had writ down the wrong date in their agendas. On party night, couple was at—the movies. Their host could not re them to find out why they were not where they were s posed to be. When the woman executive discovered w had happened early the next morning, she apologized fr tically on the telephone, but felt a deep freeze at the ot end. She knew she had to act fast, so she sent the host hand a long, carefully composed letter of apology on half of her husband and herself, accompanied by tw dozen roses. She also requested the names and addre of all the guests and sent each a handwritten note in wh

e explained the error in the date and expressed how dly she and her husband felt. She knew that the guests ould understand, and that with the passage of time, their st would also forgive them. (Perhaps within a year or o.) She immediately asked the other couples to a stel- dinner party, on the grounds that one can't chant too ny *mea culpas* to people who have been offended.

If you think that I may have been the woman executive o wrote down the wrong date of the dinner in her and r husband's honor, you are absolutely correct.

A young executive, invited as a single man to help balance e sexes at his boss's elaborate, rmal dinner table, caused the aiter to drop an entire silver latter of Soufflé aux Framboises n the Oriental carpet as he was eing served dessert.

rhaps the young man had been working out too strenu- sly, because when he abruptly turned from speaking to e woman on his right to serve himself from the platter on s left, he caught the waiter's tray on his bicep, and down it nt. The dessert streamed out of its silver bowl—a mushy nk-and-white sea of collapsed soufflé all over the rug. The ung guest uttered a quick, sincere apology to his host and stess and quickly left the room to escape further humili- on. As far as he was concerned, the party was over.

What he should have done: The waiter obviously had to get down on his knees to clean up the mess. The young executive could have done the same. He should have used his dessert spoon to help scoop the melted soufflé back into the silver bowl. Then he should have asked the waiter to pass it to him again, after offering his napkin to the server in order to wipe off the mess on the front of his dinner jacket. The guest would then offer a heartfelt apology to his boss and his wife, who are now sitting transfixed with horror.

Since the other guests are going to be suffering from embarrassment for him, too, the young man should scoop a good portion of the collapsed soufflé onto his plate and address the table in a firm voice, "I'm sure this dessert is perfectly delicious, now that I have given it a tryout on the rug. I intend to eat and enjoy it, and would greatly appreciate everyone else doing the same thing—on my behalf."

The guests will relax and laugh. With his hosts' permission, the young executive should then arrange with a leading local rug cleaning establishment to come by and pick up the Oriental rug the next day to have it cleaned. Raspberry stains, needless to say, add nothing to Middle Eastern design. ●

LETITIA BALDRIGE *has been advising Presidents and First Ladies on social matters since the Kennedy administration. Her latest book is* Letitia Baldrige's New Complete Guide To Executive Manners.

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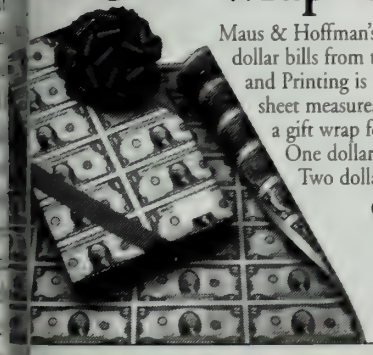

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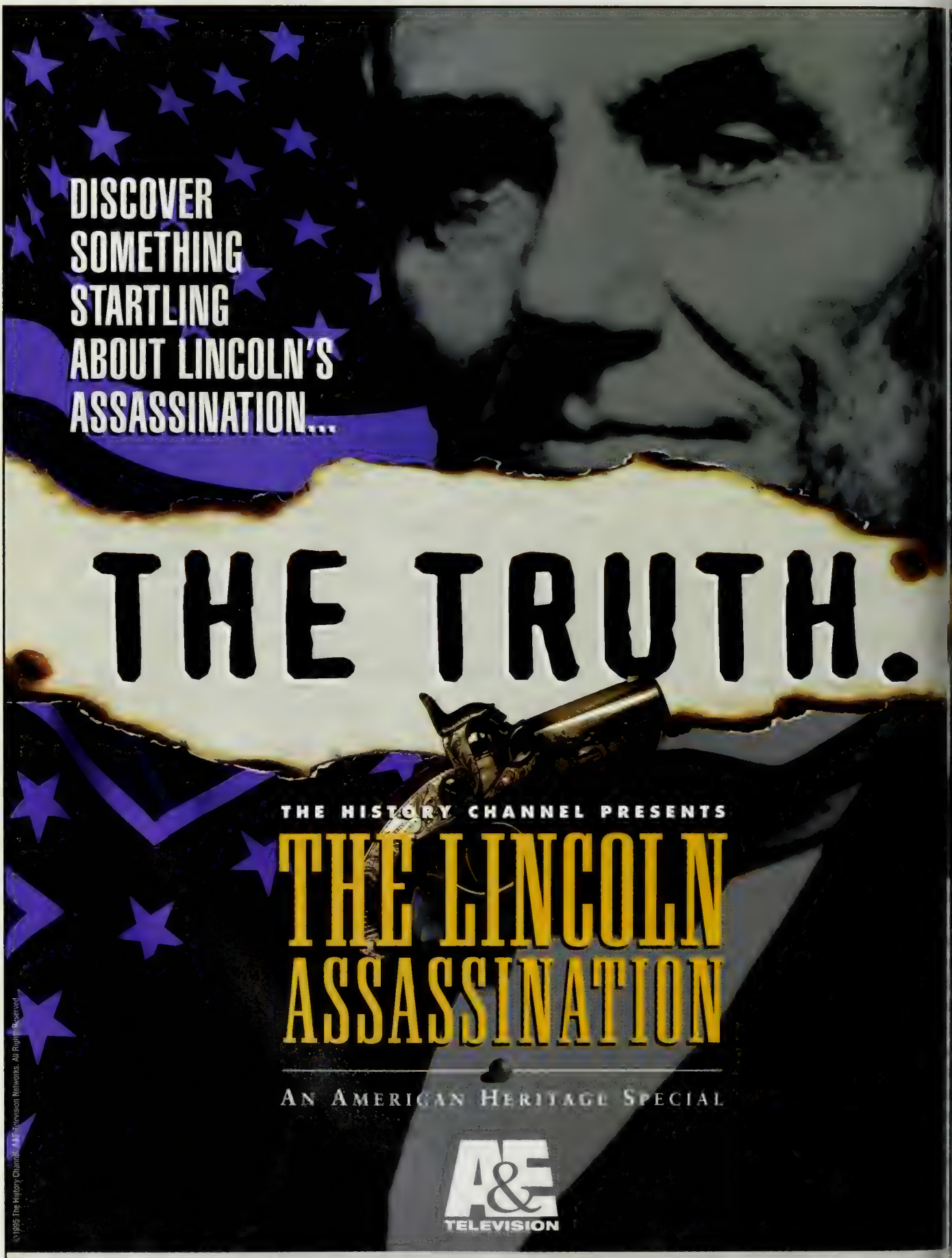

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5 Fateful Presidential Decisions

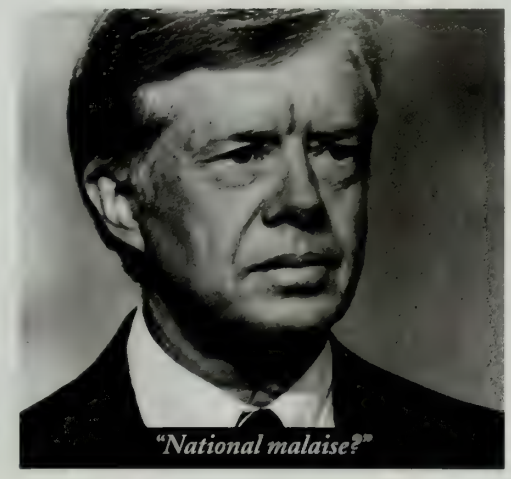
Judgment calls that prove beyond dispute that nobody, especially the most powerful man in the world, is perfect

By Michael R. Beschloss

1 Richard Nixon: Bethesda Naval Hospital, May 17, 1973.

"Destroy the tapes?"

The pajama-clad thigh of the 37th President was gripped by his Number Two, Spiro Agnew, who loudly whispered, "Boss, you gotta have a bonfire!" Nixon gazed at the wall, pretending temporary deafness. Recovering from viral pneumonia, he had to decide whether to destroy his secret White House tapes, whose existence had just been revealed to the world during the Senate hearings on Watergate. Nixon's chief of staff, Alexander Haig, warned him that preserving the tapes was too dangerous: who could remember what they might contain? Haig conceded that if the President burned his tapes, he would be "violently attacked" and some would "describe it as an admission of guilt," but "whatever happens will be over fairly quickly." The next morning, Nixon told him, "Haig, I've thought about this all night long." He would not burn the tapes. He said, "These tapes will be exculpatory. I know I never said anything to anybody that could be interpreted as encouragement to cover things up. Just the opposite!"


"National malaise?"

2 Gerald Ford: Palace Of Fine Arts Theater, San Francisco, October 6, 1976.

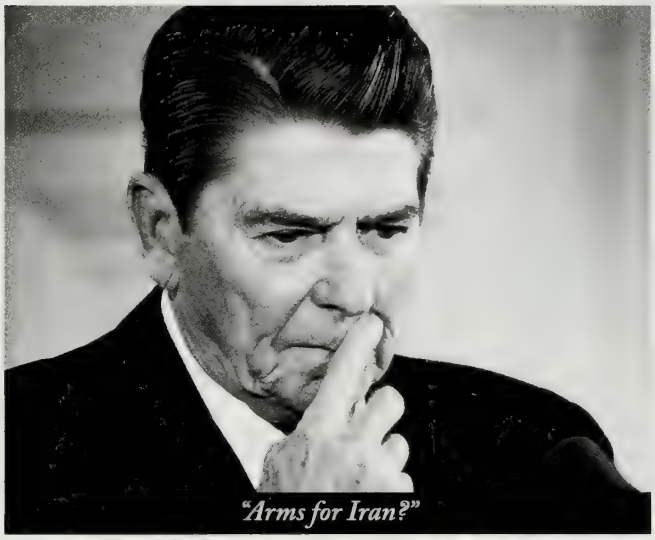
"Soviet domination?"

As the 38th President prepared for his second debate with Jimmy Carter, his handlers were worried that the Democrat might go on the attack, denouncing the Ford Administration for accepting Soviet domination of the nations of Eastern Europe. To thwart this assault, Ford's national security adviser, Brent Scowcroft, gave his boss a briefing paper with suggested language that the President might use: "The policy of this government at the present time is to recognize the independence, the sovereignty and the autonomy of all Eastern European countries." That evening, Ford mangled Scowcroft's line. He proudly proclaimed, "There *is* no Soviet domination of Eastern Europe—and there never *will* be under a Ford Administration!" Whitefaced, Scowcroft turned to Ford's campaign aide Stuart Spencer and said, "You've got a problem."

3 Jimmy Carter: Camp David, July 6, 1979.

Approvingly the 39th President brandished the memos from his political consultant, Patrick Caddell, which warned that America was suffering from a "crisis of confi-

dence." Why not fire his Cabinet and deliver a speech on the national malaise? Worried that such behavior "would destroy Carter and me with him," Vice President Walter Mondale warned, "You can't castigate the American people, or they will turn you off once and for all." He insisted that a President must not treat the American people like "sinners in the hands of an angry God." Carter scoffed: giving such a speech would no doubt increase his public standing and inject his Presidency with much-needed "drama and mystery."



"Arms for Iran?"

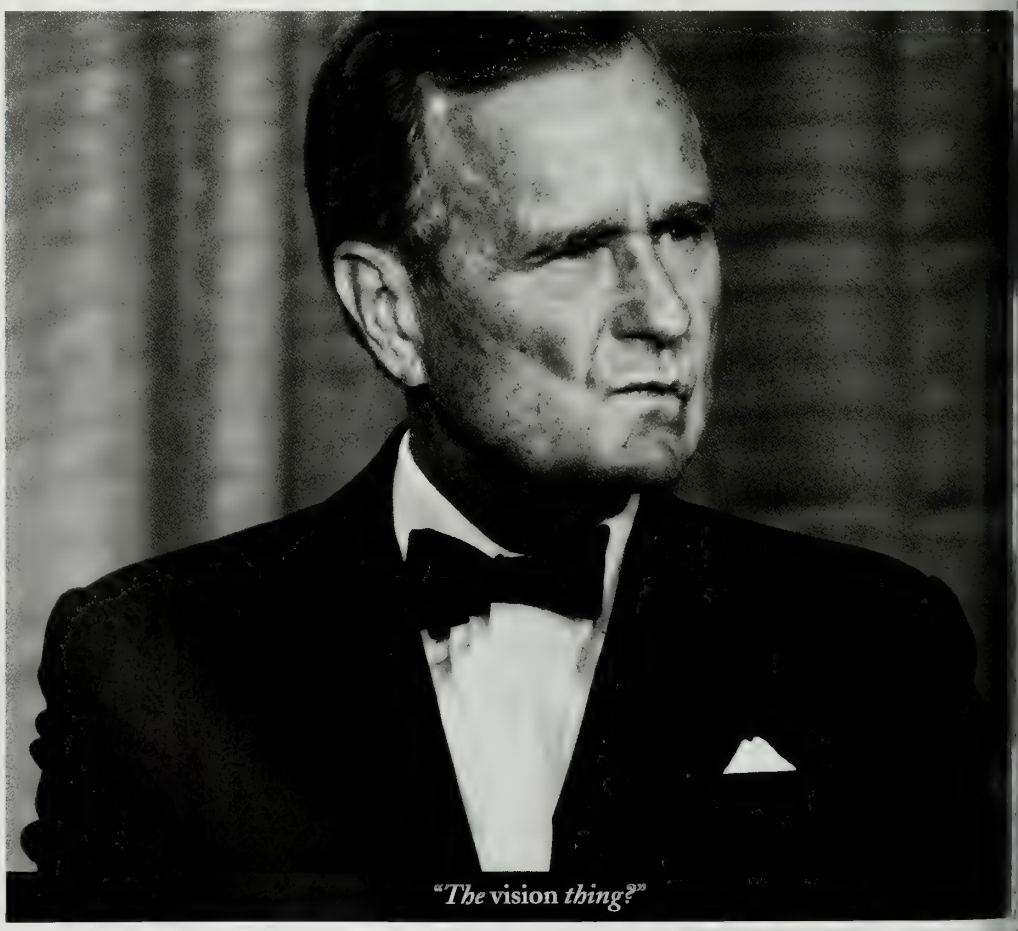
4 Ronald Reagan: Bethesda Naval Hospital, July 18, 1985.

Recovering from cancer surgery, the 40th President scrawled in his diary that he had achieved the "miracle of miracles": drinking a cup of tea. He hoped that his feeding tube would soon be removed. In walked his security adviser, Robert McFarlane, and his chief of staff, Donald Regan. McFarlane told the President that they had developed a "contact from Iranians" whom he believed had "reasonably good connections" within the country. As Reagan wrote in his diary, he was cheered by the possibility that the "strange" contact might cause "a bre through on getting our kidnap victims back" from Leban He told Regan and McFarlane, "Open it up!"

5 George Bush: Air Force One, August 20, 1991.

The 41st President was in command, flying fr Washington to Maine, supervising the maneuvers Western governments to bring Mikhail Gorbachev b to power after his toppling in a hard-line coup. F months after his Persian Gulf victory, Bush had j rejected advice to broaden his new popularity w American voters by declaring an Operation Domes Storm. He thought that new domestic proposals wo merely divide people. The recession? Already ov The President told aides he preferred to spend his ti on foreign policy, where he belonged. As his pilot prepa to land at Kennebunkport, the President's son George t reporters that the coup against Gorbachev was one m piece of evidence that Americans would be supremely fluenced by foreign policy in 1992. In such a climate, would be unbeatable: "Do you think the American peo are going to turn to a *Democrat* now?" ●

MICHAEL R. BESCHLOSS *is an historian who has writ books on the Roosevelt, Eisenhower, Kennedy and B Presidencies.*



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5-Finger Exercise

To the pianist, it is not a hand, but five tools

By Edmund Morris

People tend to giggle when I mention my "fifth finger," as if the phrase implies some hexadactylous deformity. Only musicians, who are taught from childhood to include the thumb in their digital figurations, nod knowingly. We (if I may include my amateur self) agree there is something simian about the notion of a four-fingered hand.

In situations that call for certain gestures—a rush-hour traffic dispute, say—our instinct is to extend the good old "No.3." This sometimes leads to misunderstandings:

JUDGE: Is it a fact that when the plaintiff asked your name, you raised your second finger?
DEFENDANT *(loudly and confidently)*: Your honor, I did not.

Pianists are particularly pentactine. When we discuss "Beethoven's Third" or "Chopin's First," we may be talking not of concertos but of those rather macabre hand-casts the great instrumentalists used to leave behind them. We browse for hours studying articles in trade periodicals like *Keyboard* and *Clavier* over the idiosyncracies of this or that finger. Admit that you're fascinated, and dying to hear more. Well, okay—

The fifth finger is that which, in the right hand, floats melodic notes at the top of harmonic swells, while in the left, its job is to sound and shape the basic contours of the ocean floor (rather like a radar probe). Vladimir Horowitz had almost freakishly independent fifths. I never could figure out how extensors that flexed so far back could uncurl and hit flying hemidemisemiquavers at such speed.

Technically speaking, the fourth is the weakest a most awkward finger, being hitched to both neighb by a pesky web of ligaments. Just point your five fing tips onto a flat surface and try to lift No. 4 separate You'll appreciate what problems we have playing the in voices of Bach.

The third finger, apart from its gesticulatory usefuln acts both as a lever (allowing No. 1 to pass gracefully un it in scales and arpeggios) and a fulcrum when the wh hand and arm are rotating *tremolando*.

No. 2 is annoyingly stro and needs equalizing if is not to break the melo line, or overbalance a weig ted chord.

The first finger has ha somewhat vulgar reputati ever since Jack Horner use to check the filling of Christmas pie. Yahoos us for pointing over their sho ders, or grappling beer, or r ing movies on television.

But when used in a le handed *cantilena* by a mas technician, this finger becomes the most express digit of all. Listen, for exa ple, to the brilliant Chile pianist Claudio Arra recording of the slow mo ment of Brahms' F mi Sonata. You'll never use t cliché "all thumbs" again.

Edmund Morris *won the Pulitzer Prize for* The R Of Theodore Roosevelt. *His biography of Ronald Rea will be published by Random House.*

There's never a dull moment in the great port city of Osaka. Through its gates, long ago, came missionaries, traders and emissaries. Emperors have been buried here. Warlords built their castles here. Merchant families made their fortunes here. The government still coins its money here. And it's here that the curtain first rose on Japan's celebrated *bunraku* puppet theatre.

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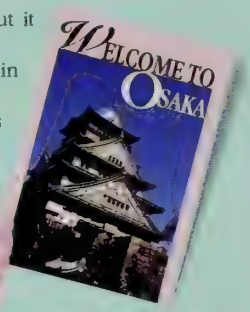

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Portrait of feudal lord Toyotomi Hideyoshi (16th c.) from the collection of Kodaiji, Kyoto. Puppet from the collection of the Waseda University Theatre Museum, Tokyo

Tips On Facing 50

How to endure the inevitable with style

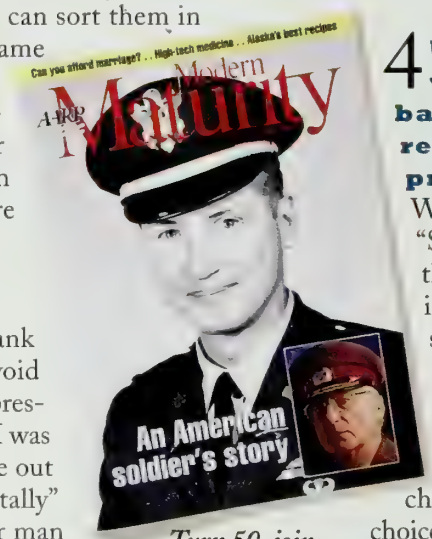
By John Berendt

When you hit 50, you'll know you've reached one of life's great milestones, because it will be heralded by a notice in the mail announcing that—*ta-DAH*—you are now eligible for membership in AARP. "But how can that be?" you protest, "I'm not retired!" No matter, the AARP angel has spoken, and like it or not you are officially an old person. Now you must make the best of it.

1 Simplify your life.
Spare yourself petty annoyances. Make all your socks the same color, for instance, so you can sort them in the dark if you need to. Use the same PIN number for all your credit cards and bank cards—unless you have secrets from (or don't trust) the other members of your family, in which case simplifying your life will require far more drastic measures.

2a Act your age.
You are far too old to wear tank tops or frayed cut-off jeans. Also, avoid the lingo of youth. Never use the expression "*I was like...*" as a substitute for "I was thinking..." (as in, "I was like get me out of here"). Similarly, never say "totally" when you mean *very*, or call another man "dude." Skateboarding is out of the question, of course, and as for rollerblading, bear in mind that if you were to take a spill while coasting along it would be the same as being thrown out of a car going 30 miles an hour.

2b But don't dwell on your age.
Resist the temptation, when in the presence of younger adults, to exclaim, "My God, you weren't even *born* when the Watergate break-in occurred!"



Turn 50, join AARP, and get this magazine. Such a deal.

3 Still, you are older and wiser, so play the part: give sage advice to younger men.
Just make sure the advice is not so central, so importa that you enable the upstarts to get the jump on you. T for example, how they can appear to be knowledgeal about French wines: Bordeaux wines are always in bott with squarish shoulders; Burgundies are in bottles w sloping shoulders. They'll remember this little tip forev and think the world of you for it—but what you have told them is how to pronounce the names.

4 Use mind games to convinc yourself that, no matter ho bad things may seem, you'd really rather be yourself than practically anybody else.
While out in public, think to yourse "Suppose that, just before I left the hou this morning, I looked in the mirror a instead of seeing my own image, saw...that man over there." Study t man's clothes, his posture, his gait, his cial expression, the people he's wi Imagine having to spend the rest of yo life being *that* man. Don't pick a choose your target; make a truly rando choice. This game never fails; the more you pl it the better you will feel. I promise.

5 This ain't the end. You're only halfway there
Soon you'll forget about that letter from AARP. Just thin 50 years from now you'll be getting birthday greetings fro the President. ●

John Berendt's Midnight In The Garden Of Go And Evil *has been on the best-seller list forever.*

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M5FOM

AUTOMOBILES THAT CHANG

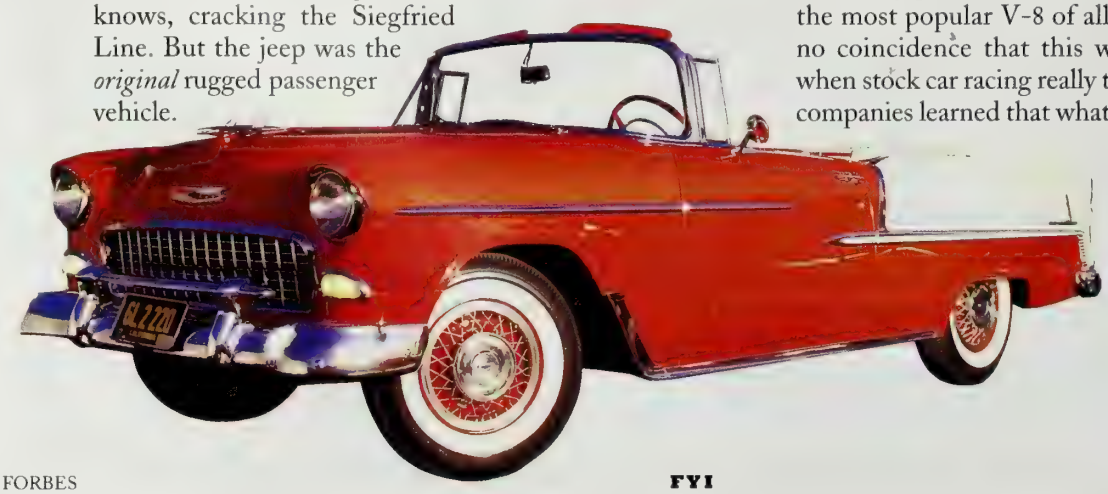
Wheels of fortune

BY PARNELLI JONES

The Jeep (circa 1944): Hard to imagine the Americans fighting World War II without the jeep. It was the go-anywhere, do-anything, haul-most-things, fix-it-yourself vehicle and a lot of soldiers just plain fell in love with it. The jeep was probably the only thing nice they had to say about the army.

So when the war was over, they bought them at surplus and made dune buggies out of them and...well, you know the rest. Seems like half the vehicles you see these days have some jeep genes in them. Even if they just go from the house to the mall, they've got four-wheel drive and the ads pitch them as just the thing for climbing mountains and fording streams and, who knows, cracking the Siegfried Line. But the jeep was the *original* rugged passenger vehicle.

1955 Chevrolet: The basic, hau ass, heavy-iron American car has bee around for a long time and—in my opinio anyway—just keeps getting better. But t thing really came into its own in the ea Fifties, when Chevrolet started turning the out with clean lines and a little more pow than you needed just to ease around tow This was the period when the small-blo V-8 engine really came into its own, a eventually grew into the Chevy 350, probab the most popular V-8 of all time. And it no coincidence that this was also the e when stock car racing really took off. The companies learned that what won on Sund was what t people boug on Mond Still true.



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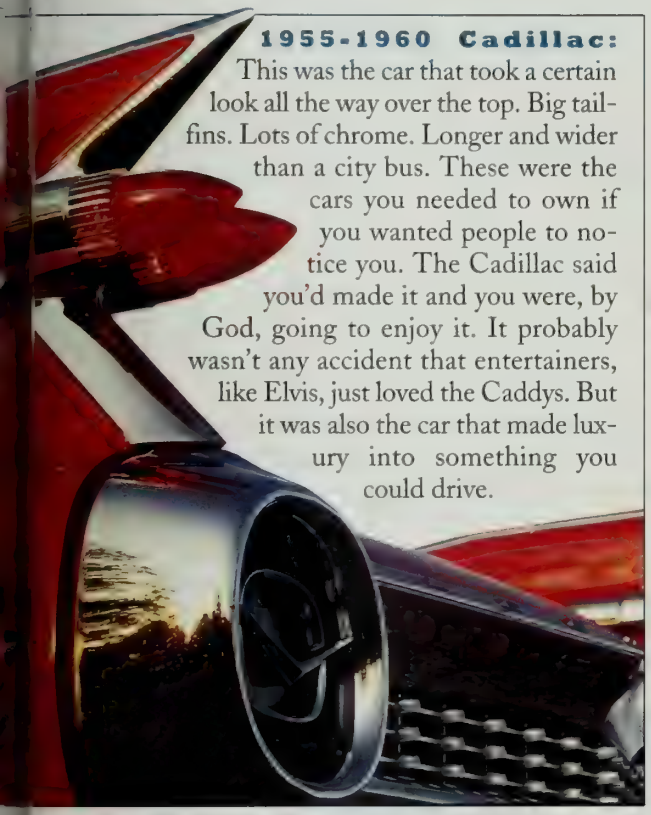

1955-1960 Cadillac: This was the car that took a certain look all the way over the top. Big tailfins. Lots of chrome. Longer and wider than a city bus. These were the cars you needed to own if you wanted people to notice you. The Cadillac said you'd made it and you were, by God, going to enjoy it. It probably wasn't any accident that entertainers, like Elvis, just loved the Caddys. But it was also the car that made luxury into something you could drive.

Volkswagen Beetle 1945-1970: They tell me that this car was Hitler's idea. If it is true, then it proves that just about anybody can get one thing right. Like they used to say, even a blind pig will find an acorn every now and then. Anyway, the thing about this car is that it made it possible for a lot of people to drive. With that little air-cooled engine, it was cheap, reliable and easy to fix; so people who might have otherwise been riding the bus were owning and driving their own cars. The more cars, the more roads, gas stations, garages, parts suppliers...the more drivers, every one of them wanting to trade up to something a little better. You wonder how many people driving around in a Mercedes today started out in a bug 20 or 30 years ago. ●

PARNELLI JONES *is* FYI*'s automotive editor.*

Ford Mustang 1964-65: This was the car that made Lee Iacocca, and I suppose that would be enough of a reputation, right there. But the Mustang also took the European notion of "sports car," which meant something that was fun to drive—good power and good cornering on the highway, along with clean, stylish lines—and had about enough room for you and your bathing suit, and turned it into something that Americans could appreciate. The Mustang was a car that understood that driving is not just about transportation. There have been a whole lot of cars since that have been sold to people who like to have fun on the road. And they all go back to the Mustang.

The Hollywood 5

My ego is bigger than your ego

By John Gregory Dunne

1 I was in a restaurant in Santa Monica when the head of a top studio stopped by to say hello. He had recently undergone heart bypass surgery, and I asked how he was feeling. The operation, he said, was a big success, he had never felt better. I started to tell him that I'd had the same operation four years earlier, but before I could get the words out of my mouth, he interrupted: "Of course, mine was much more serious than yours." It was mine is bigger than yours, Hollywood style.

2 A few years ago, the director Fred Zinnemann came to pitch an idea to one of Hollywood's child executives. Over the course of his career, Zinnemann had directed *The Search* (Montgomery Clift's first film), *The Men* (Marlon Brando's first picture), *The Nun's Story, The Member Of The Wedding, The Sundowners, Oklahoma!, The Day Of The Jackal* among his many feature films, in the process winning two Academy Awards (*From Here To Eternity, A Man For All Seasons*). It was apparent, however, that the executive was not entirely certain who Zinnemann was, and why he was taking up his valuable time. "Tell me about yourself, Mr. Zinnemann," he said. Ever the quiet, courtly middle European, Zinnemann waited for a moment, then said, "You first."

3 A story conference in Malibu with Shirley MacLaine. There was a scene in the screenplay my wife and I had written that Shirley did not understand. The woman protagonist found herself in a room with both a current and former lover, and the situation made her uncomfortable. "Why?" Shirley asked. The question was directed at my wife. "Do you get uncomfortable when you're in the room with two guys you used to sleep with?" My wife allowed that she did. "Well, I didn't know this picture was about your hang-ups," Shirley said.

What becomes a...er, legend most?

4 "You know, I can't figure you out," Barbra Streisan suddenly blurted out one evening at dinner. (M wife and I had not long before written what was her mo successful picture, *A Star Is Born*.) "What do you think me?" (An antic replay of "Enough talking about me, let talk about you. What do you think of me?") It was the sir gle question I least wanted to answer. "Barbra, you mac us a great deal of money," I said carefully. "I'm not tall ing about business," she said firmly, not abo to be denied. "What do yo think of me." I considered run ning. Then I took a dee breath. "Barbra, Joan and have been married 16 years," said. "And she's had the goo sense never to ask me th question." Barbra fixed me i her gaze. "That means you' not going to answer, right?" just did," I said.

5 Summer 1974, the wee after the House Judicia Committee had voted articles impeachment against Preside Richard Nixon. At a dinn party in Malibu, Dr. Jules Stei founder of MCA/Universal, t most powerful man in Holl wood and a major contribut to the Republican Party, a proached the guest of hono Tom Wicker, the *New Yo Times* columnist. "Mr. Wicker," Dr. Stein said. "How d I get my money back?" ●

John Gregory Dunne *is the author of many screenpla and many books, including* Playland *and* Harp.

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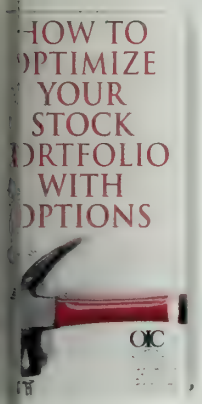

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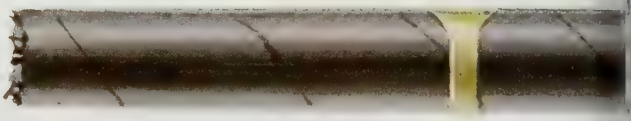
HISTOR

8, actually, but being an artist, Bruce McCall couldn't follow orders

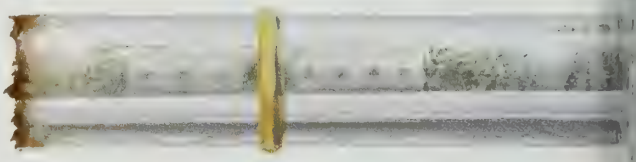
WRITTEN & ILLUSTRATED BY BRUCE MCCALL

"Ulysses" El Generale Robusto 99-Proof, 1865
Legend has it that General Grant himself invented the cigar that bore his name simply to save vital time, soaking pungent Havana leaf in sour-mash Kentucky bourbon for a quick two-in-one nicotine/alcohol pick-me-up. The 1865 Matthew Brady daguerreotype above (later retouched into a more sober pose for posterity) catches Grant enjoying his first—but not his last!—Ulysses.

El Kilometro y Colosso Grande No. 1, 1909
Originally fashioned to meet the needs of a Havana banker whose wife had limited him to one cigar per day, the Kilometro soon became a favorite of connoisseurs who smoked it in sections—each with its own band and its own distinctive flavor and draw. Alas, it was soon doomed by practical matters of portability and storage.

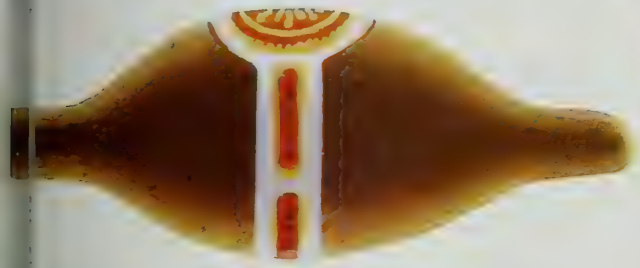


Il Negro Morte, 1909
Not sold in stores! Men were paid to sit on the veranda of Brazilian rubber plantation mansions and smoke "t Black Cigar of Death"—a lethal admixture of chemica petroleum tar and tobacco—all night. The fumes de mated the mosquito population: five billion dead, expe reckoned, for every smoker's life.



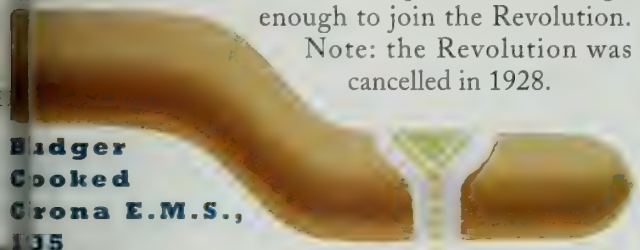
Schmutz No. 500, 1924
The most expensive cigar ever made was not, stric speaking, a true cigar at all. It was a rolled-up $500 b burned down to just short of the halfway point (d marked by an elastic band), so that banks were l gally obliged to redeem every such well-scorched pie of currency for a new one. In this way, boasted the i ventor, silent-era Hollywood mogul A.A. Schmu "Smokink cost me nuttink!"

AL CIGARS



La Bomba de la Revolucion, 1926

By the time he had smoked it down to its grotesquely swollen midpoint, so much nicotine-per-second was being ingested that the Nicaraguan with La Bomba in his mouth would almost inevitably faint, throw up or convulse. Those who didn't were pronounced tough enough to join the Revolution. Note: the Revolution was cancelled in 1928.

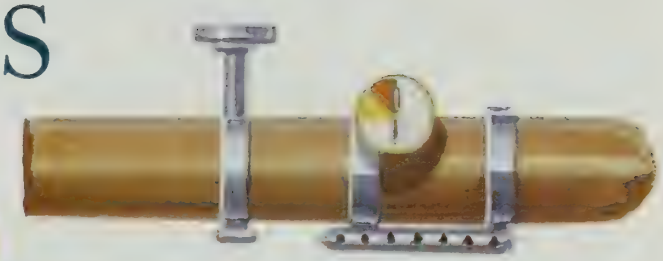


Bludger Cooked Corona E.M.S., 1935

Business adversaries found themselves mesmerized as Montana mining magnate G.G. Bludger waved his barrely bent Havana to and fro during heated negotiations. His foes thus distracted, Bludger inevitably emerged with the best of the deal. It didn't come cheap; whereas the typical fine cigar of the time was rolled on the thigh of a single virgin, Bludger's idiosyncratic Z-shape required three senoritas crammed together in awkward positions, using their whole legs.

Hitler's Churchill Monte Cristo No. 2 Butt, 1945

The mad Fuehrer's even wackier doctor, Morell, had an idea that could reverse the tide of World War II at the eleventh hour: expose Adolf to the same heady fumes as Churchill drew from his beloved Havanas, and it would bring him the same visions, spur his mind to the same winning strategies! Nazi agents finally grabbed a butt flung from the P.M.'s car on a road near Chequers and spirited it to Berlin—but to no avail. Indeed, experts now speculate that it was neither Luger nor cyanide but one stung suck on Churchill's butt that did in the nonsmoking vegetarian Hitler, resolving the last lingering mystery of World War II. (Cigar butt courtesy of Archive of the Great Patriotic War, Leningrad, 1995.)



"LifeSmoke 2000," 1987

Sweden's laudable effort to vanquish every health hazard produced a medical advance and a commercial dud. LifeSmoke 2000, fitted with cooling pipes, filters and odor inhibitors, automatically shut down the air supply and killed the smoke if a built-in meter registered nicotine levels above Swedish government maximums. "Good tobacco," noted the late cigar czar Zino Davidoff, "but draws like a clothespin." •

The Worst Military Decisions Of The 20th Centur

The winners in a crowded field

By Alistair Horne

The worst military decisions of the 20th century? What an immense treasury to choose from! In World War I alone, almost every military decision one can think of, from Tannenberg to the Marne, from Gallipoli to the Somme, from Verdun to the torpedoeing of the *Lusitania*, from the very mobilization of the Great Powers to the calamitous Versailles Treaty, was a colossal blunder on somebody's part. That very war, consuming 10 million young lives and fought "for an eggshell" (*Hamlet*), still evokes the black-humor headline:

ARCHDUKE DISCOVERED ALIVE
GREAT WAR FOUGHT IN VAIN

My choice for '14-'18, however, remains Verdun, where both sides blundered, the Germans in attacking and the French in defending ("regardless of the cost," that old formula for military stupidity), and the consequences were so historically immense. But let's take my list in chronological order.

1 Tsushima, 1905

By the end of the 19th century, Japan, awakened from her centuries-long slumber by Commodore Perry and Lieutenant Pinkerton, was expanding into Korea and Manchuria. Inevitably she came into conflict with Tsarist Russia, pushing southwards from Vladivostok. Equipped by the British, Japan's new navy was probably the best-trained and most efficient in the world—more so even than the Royal Navy of that date. In February 1904, the Japanese—in a mini-Pearl Harbor—inflicted a stinging defeat on the Russian fleet at her key base of Port Arthur, knocking out seven battleships at a cost of two of her own.

Outraged at this humiliation by a tiny country of pa parasols and Madame Butterfly, the Tsar decided to se a fleet round the world to reinforce Vladivostok a avenge Port Arthur. Its commander, an irritable 53-ye old aristocrat called Admiral Zinovy Petrov Rozhdestvensky, seemed to have reckoned it was doom from the start. His ships, he told St. Petersburg, w "untested or badly built," and he had "not the slight prospect" of success.

It began badly. In the North Sea the nervy Russians into some British fishing trawlers, taking them to Japanese and sinking one at 100-yards range, killing t British fishermen. Public opinion clamored for war w Russia; in consequence, all British coaling stations on 5,000-mile route were denied to Rozhdestvensky. Af nearly eight months at sea, his 42 ships had reached

Verdun—800,000 casualties in an area the size of New York's Central Park.

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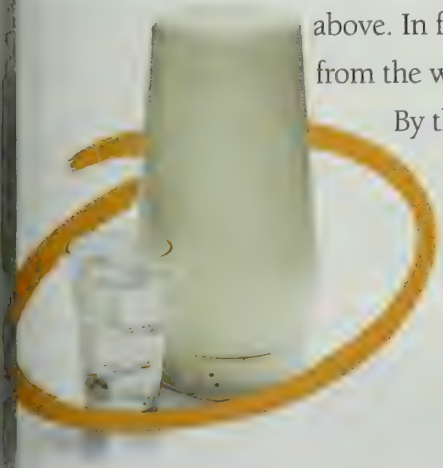

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50-mile-wide Straits of Tsushima (meaning "Island of the Donkey's Ears") between Japan and South Korea. Neither ships nor crews were in any condition to fight.

Early in the afternoon of May 27th, 1905, Admiral Togo was waiting, and in a classic naval maneuver he twice "crossed the T" of Rozhdestvensky's column. Within minutes the leading three Russian battleships were wrecks. Rozhdestvensky was so severely wounded that he had to hand over command. At 1130 hours on the following day, the Russians ran up the white flag, to the amazement of a nation steeped in Samurai traditions of no-surrender. Only two Russian destroyers and a light cruiser limped into Vladivostok. There were 4,830 Russians killed, at a cost of 700 Japanese.

It was the most complete victory in naval history. In Russia, news of the catastrophe provoked the 1905 Revolution, opening the door to Lenin 12 years later. Japan, filled with a sense of its invincible, Imperial destiny, became overnight a major Pacific power, with dire consequences down the line.

2 Verdun, 1916

After the Battle Of The Marne in 1914, when the Kaiser's armies had failed to defeat France, the Germans stood on the defensive in the West, while attacking in the East. Only once, until 1918, did they deviate from this strategy—at the beginning of 1916. Then, the Chief of the German General Staff, Erich von Falkenhayn, a withdrawn, unpopular figure and a curious compound of ruthlessness and indecision, came up with a novel concept in the history of warfare.

At Verdun both sides blundered, the Germans in attacking and the French in defending ("regardless of the cost," that old formula for military stupidity), and the consequences were historically immense.

Instead of trying to defeat the French Army outright, he would entice it into defending a point in the line it could not afford to abandon. There he would "bleed it white"—the very terminology symptomatic of a war where soldiers' lives were rated as little more than corpuscles.

The place he selected was Verdun, rated the world's strongest fortress, with a centuries-long tradition in the defense of France, and only 150 miles east of Paris. The 1914 campaign had left it in a narrow salient, vulnerable on three sides to the overwhelming superiority of German heavy artillery.

On the 21st of February, 1916, 1,220 German guns opened up on a frontage of barely eight miles, launching the most savage artillery battle in history. The French lines sagged but held, at horrendous cost. The immortal slogan "They Shall Not Pass" was coined. In what became an affair of national honor, France rose to the German bait. For ten hideous months history's longest battle raged.

The tragic irony was that Verdun also bled the atta ing Germans almost equally. What began as a small af resulted in combined casualties of over 800,000 mer most of them inflicted within an area not much big than New York's Central Park.

Verdun cost Germany her last chance of defeating Allies in the West, but the impact on France, elevating defeatist Marshal Pétain as its hero, went far deep French losses led to the demoralization that defeated in 1940. The Pyrrhic victory *par excellence*, Verdun wa murderous blunder on both sides.

3 Hitler Declares War on the U.S., December 11, 1941

Most historians rate *Operation Barbarossa*, Hitler's att on the Soviet Union, to have been his worst military bl der (out of a possible five) of the entire war. I would, ho ever, claim that his seemingly almost casual declaratior war on the United States December 11th, 1941, proved to even more decisively disastrous

It was not necessary. Four d after Pearl Harbor, the U.S. h made no move against Hit Consider the state of the war: fr the German point of view, clearly made sense to keep A erica out of the war. Despite huge support "all short of war" t the U.S. had been providi British convoys since 1940, the Boat campaign was going tremely well for Hitler. By 19 sinkings had reached a peak, which rate Britain would have l one-quarter of her whole merch fleet within the coming year.

In the U.S., the "America Fi movement still had considerable support. A Gallup Pol October 22, 1941, reported that only 17% of Americans tually favored war with Germany, and as late as the su mer of 1942, U.S. opinion polls showed that nea one-third favored a compromise peace with Germany can see why we are fighting the Japanese," commented c Gallup respondent, "but I can't see why we are fighti the Germans."

After Pearl Harbor it was only natural that t powerful "Pacific First" military lobby, headed by t redoubtable Admiral Ernest J. King, then C-in-C U Atlantic Fleet and subsequently Chief of Naval Op ations, would urge Roosevelt to "tackle Japan, th Germany."

If Admiral King and the "Pacific Firsters" had h their way, Britain and an almost mortally wound Russia might well have been left to fight Hitler alo without all-out U.S. support. Had Russia been smash in '42, as was likely, a subsequent Anglo-American v

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tory employing conventional weapons alone would have been inconceivable.

Why then did Hitler take this fateful decision? Like Saddam Hussein half-a-century later, he fell prey to his own propaganda, accepting poor intelligence, coupled with his own parochial ignorance, into grossly underestimating U.S. military potential. Secondly, he was convinced that the war in Russia was as good as won. Information available in Moscow since *glasnost* now confirms that—although the *Wehrmacht* had just been stopped at the gates of Moscow—as of December 1941, Hitler had good reasons for judging Stalin to be in the market for a separate peace.

His miscalculation was the West's salvation.

MacArthur's troops reeled back to the 38th parallel. For the U.S. forces caught up in the "bug-out" in appalling winter conditions, it was one of the worst defeats in American history.

4 Singapore, 1942: Repulse and Prince Of Wales sunk

On Sunday, February 15th, 1942, British Lieutenant-General A. E. Percival, with moustache and rabbit teeth, surrendered Singapore, reputedly the world's most impregnable bastion, and over 100,000 troops to a motley force of Japanese of little more than half that number (62,200) under General Yamashita (later hanged for war crimes). A heavy share of the responsibility fell on Churchill, who wrote many years later that it was "the worst disaster and largest capitulation in British history."

Churchill's eyes were riveted on Hitler—on Europe and North Africa. His policy on the Far East was to rely on America and "hope for the best." But America had her hands more than full after Pearl Harbor. The legendary 15-inch big guns of Singapore faced out to sea, not inland over the narrow strip of water called the Johore Strait, only a few hundred yards wide separating Singapore Island from the supposedly "impenetrable" jungle of Malaya to the North. No effort had been made to form a Malaya defense force.

On December 7, 1941, the Japanese landed at Khota Bharu in the north of Malaya, and began working their way swiftly southwards through that jungle. The following day, the two most powerful ships in Southeast Asia, the *Repulse* and the almost new *Prince Of Wales* (which had taken part in the sinking of the mighty *Bismarck* the previous year), headed north from Singapore to intercept the landings. But as his escorting aircraft carrier, *Indomitable*, had run aground in Jamaica, the commander, Admiral Sir Tom Phillips, was dependent on local airfields for cover.

So Phillips decided to head back to Singapore, but, not wanting to break radio silence, he failed to request air cover. He was spotted by the Japanese on the morning of December 10th, and within minutes the two great ships were sunk by torpedo planes. Phillips and 700 men went down with them.

Abruptly the balance of the whole campaign shift Malaya lay virtually unprotected from the sea. The b door to Singapore was now open, its British, Austral and Indian defenders demoralized by the loss of the t capital ships. A month later Yamashita had captured Ku Lumpur, with vast military stores. By the end of Janu Percival had withdrawn to Singapore Island, but he s had a force far stronger than the attackers—who were n exhausted, and nearly out of ammunition.

On February 8th Yamashita's men infiltrated across Straits. A week later the "impregnable" fortress surre dered, without much fight, a despite Churchill's order "every inch of ground to be fended." One of Yamashita's nior officers wrote later: "If British had held out for a f more days, they could have feated the Japanese forces."

At a cost of 3,500 killed, Japanese had smashed f ever the British Empire in East, and with it the myth White Superiority. Had defenders foreseen that thre and-a-half years of captivity the most atrocious conditions lay ahead—many them were among the 12,000 POWs who died on Burma Railway—they might well have fought on w greater desperation.

5 The Advance to the Yalu River, 1950

On September 15th, 1950, the troops under the comma of General of the Army Douglas MacArthur, C-in-C the UN command since July 10th, landed at Inchon. T landing followed the surprise attack by Kim Il Sun Communist North on June 25, which had all but defeat the South Koreans, and the handful of Americans rush in from Japan to support them.

One of warfare's most inspired amphibious operatio Inchon caught the North Koreans completely off-balar and changed the course of the Korean War. By the begi ning of October, MacArthur's victorious forces were pu suing a broken enemy across the 38th parallel. Brimmi over with hubris and determined to smash the Commun forces once and for all, MacArthur persuaded Preside Harry S Truman to allow him to proceed to the Y River, the highly sensitive frontier with both Mao's Chi and Stalin's Soviet Union. This was despite inform warnings from Delhi that, in this event, China, already odds with the U.S., would intervene.

Undetected by Western Intelligence, hundreds of the sands of Chinese "volunteers" began infiltrating by nig and with great skill, across the Yalu. As the UN for moved north from P'yongyang, the North Korean ca

MacArthur's commander, Gen- Walker, found himself heading a mixed force of 100,000 men rugged, wintry country, and ering a front several times wider the much more readily defensi- 38th parallel.

nevitably, the force became di- d. On November 25th, as Walker preparing his final blow, the nese struck with devastating force ng the Chongchon River valley, eight armies of 30 divisions, to- ng 300,000 men, several times the lable strength of the UN troops. as a giant ambush.

Walker's right wing crumpled. ftly the line buckled, and Mac- hur's troops, in an unparalleled re- al of fortune, reeled back to the parallel. For the U.S. forces ght up in the "bug-out" in ap- ing winter conditions, it was one the worst defeats in American ory.

Thirteen thousand casualties were ered in the withdrawal, and the endary, untouchable, *invincible* cArthur was sacked a few months r. But the longer term conse- nces were far greater. It meant t the Korean War could not now won, and would drag on for an- er two-and-a-half bitter years, ting in all 54,000 American lives, d many more Koreans and inese. Communist China now denly became a major figure on world stage.

As a decisive defeat of the West by East, it stood in a straight line m Tsushima and Singapore, and ld be seen to lead directly to tnam a decade later.

Would General Giap, his Viet sants and Soviet supporters, r have risked taking on the ght of America had it not been that humiliating display of akness on the Chongchon River November 1950? ●

ISTAIR HORNE *is the author of* e Price Of Glory: Verdun 1916. *recently published* Monty: The nely Leader, 1944-5 *and* A Bun- From Britain.

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Great Blades

These knives can definitely cut it

By A.G. Russell

To understand the appeal of the knives shown here, you need to remember that 50 or 60 years ago, whenever a male child reached what some family member deemed to be a sufficient level of maturity and judgment, he would be given a knife.

My first knife was presented to me at age five—at least two years too early, as it turned out. The knife was a small, 3 1/2-inch stock knife. That is, a knife with three blades perfectly suited for a young whittler, with greenish transparent scales with a naked lady under each side. This knife was given me by my great-great-uncle. He was about 80 and may not have seen the photographs. My grandmother and aunts certainly saw them and were shocked. My mother said, "He's only five. Don't make a fuss and he will never notice."

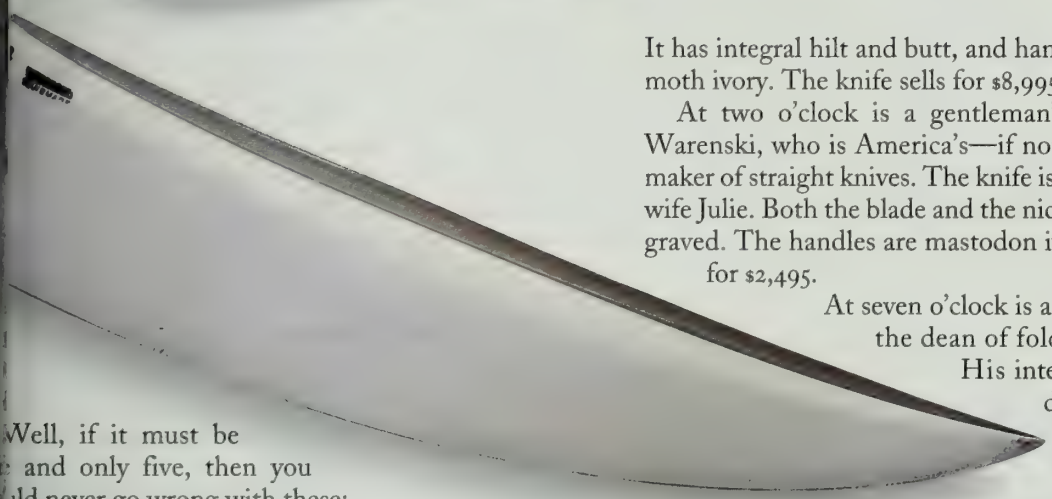
She was right. By the time those pictures would have been of interest, I had long since lost that particular knife. But not the passion for knives, which grew stronger as I grew older. As a dealer, maker and collector, knives became my life.

Every boy carried a knife back when I was a young man. As an Army brat growing up all over the country, I was grown before I heard of some boy using a knife at school for anything worse than carving a girl's name on the surface of his desk. Today, if a b carries anything larger than the smalle Swiss Army knife, he will have to leave at home or find a way of sneaking it through a metal d tector at school.

Knives continued to be important to some of us, a many of us have become knife collectors. "Collector" i word that does not set well with some knife people. Th feel that collecting is somehow effete and not manly. I ha had many steady customers tell me with great firmness th they were not collectors, that they were only interested using knives. When I asked them, "How many knives you own?" they would often answer, "Oh, maybe 30 And, sometimes, even more.

People who like knives tend to own a lot of them. I ha about 40 in my kitchen and tend to use all but three four. I also own several pocket knives that I carry, two three at a time. I have sold two collections in past years help finance my business, and those were hard partin When I was asked to decide on five knives I would want my collection, it took me about two weeks to come up wi this selection. And two more months to work up t courage to put it on paper.

Only five?



Well, if it must be fi: and only five, then you wuld never go wrong with these:

Te large knife above is a Scagle. Bill Scagle nde knives during the first half of this century, selling nst of them through Abercrombie & Fitch of New York oVon Lengerke and Antoine of Chicago, the greatest o door houses of their day; a day which is, sadly, gone.

In addition to making his fine pieces, Bill Scagle inspred W.D. (Bo) Randall to get into the knife business ad become a legend. But that is another story. It was 30 yrs after his death before Scagle was fully appreciated but tbuy a knife like the one you see here, you will have to snd the price of a fine automobile.

The other four knives represent some of the finest of tny really fine contemporary knife makers, starting at ce o'clock with the Parachutist's Knife by Deitmar Kessler, Europe's oldest and finest maker of straight ives. This knife is engraved by Stanley Stolz of Sweden. It has integral hilt and butt, and handles of woolly mammoth ivory. The knife sells for $8,995.

At two o'clock is a gentleman's hunter by Buster Warenski, who is America's—if not the world's—finest maker of straight knives. The knife is engraved by Buster's wife Julie. Both the blade and the nickel-silver hilt are engraved. The handles are mastodon ivory. This knife sells for $2,495.

At seven o'clock is a folder by Ron Lake, the dean of folding-knife makers. His inter-frame style of handles is copied by makers around the world. This knife has stainless-steel handles inlaid with amber India stag. The knife has a rose-gold bail and screws, and sells for $3,395.

At eight o'clock is the Tim Herman folder with stainless handle inlaid with Australian opal. The handles are engraved and inlaid with gold by the maker. This knife sells for $8,495.

While I cannot personally afford to own this kind of art, there are people who can, which gives me great pleasure as well as the occasional commission. There is something about a fine blade. Something that I first experienced as a five-year-old boy and have never gotten over and never will. ●

A.G. Russell *is honorary president of the Knife Makers Guild, president of the Knife Collectors Club and a member of the Cutlery Hall Of Fame.*

5 Ways To Declare Moral Victory

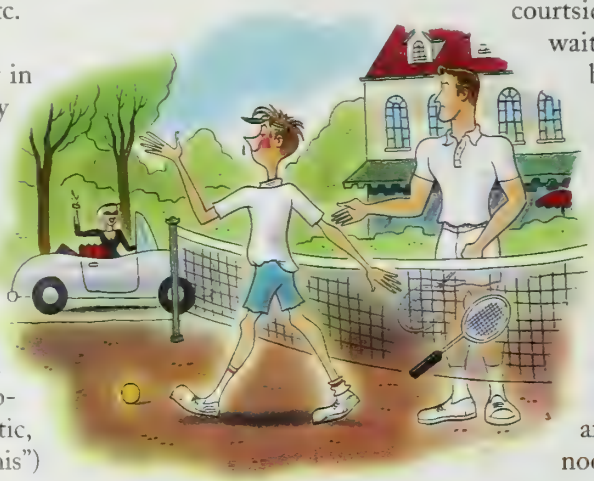
...after being trounced 6-0, 6-2

By George Plimpton

1 At net shake your opponent's hand and remark, "I guess you didn't get my message last night." When opponent professes ignorance, shrug and say as follows: "I was hoping we could have postponed this. You may not have heard, but Sybil" (pick any name) "died yesterday afternoon." Turn away and head for courtside. Reach chair. Bury head in towel.

2 Remark at net that you were increasingly surprised as the match went on that there wasn't an umpire. "I mean frankly, some of the calls!" Accompanied by rueful shake of head. "I mean I didn't realize that your club doesn't provide someone to control things around here. I mean those foot faults of yours," etc., etc.

3 Avoid opponent at net. Sit briefly in chair at courtside, mop brow briefly with towel, then cross to other side as if match is still on. When opponent points out that match is over, register surprise and indignation that match is not three out of five sets. Indicate that loss of first two was tactical. Repeat phrases of bewilderment such as "Well, I'll be hog-tied," or "I'll be the son of a sea cook," etc., whatever is regionally appropriate. If opponent seems sympathetic, even apologetic ("Gee, I'm sorry about this") pat him or her on back and say, "Don't worry, it isn't your fault." If by chance opponent, overwhelmed by the force of your despair, suggests going back on court and playing three out of five, demur and say you are too flustered to continue, that psychologically the damage has been done.



Ignore the opponent and head for the opposite sex.

4 When he (or she) wins match point, tilt slightly to left, give short moan, then start slow crab-like movement toward net. Simulate retch. Widen eyes. Swish racquet back and forth as if beating off fruit bat. Clutch at sid Start collapse, first on one knee, then other, and finally t court surface itself. Arch body as if in spasm. Call ou "Sybil!" When alarmed opponent reaches your side, slow extend your hand. Whisper in his (or her) ear: "Jake" (ar name that is not the right one) "if it had to be anyone, I'm glad it was you." Ask for a cigarette.

5 Arrange to have comely member of opposite sex arriv near courtside in foreign car of expensive make— two-seater roadster, if possible, the top down—with mot of such power that it shakes the chassis slightly as idles. When last point is over, head immediately fo courtside (ignoring opponen waiting at net) to be console by comely member o opposite sex. A lon embrace is preferabl Impression must b given that during matc one's mind was fixe not on play (henc inability to remembe score, four double faul in one game, etc.) but o pleasantries arranged fo afterwards—the late after noon Champagne tête-à tête on Seal Rock overlooking blue waters o bay, etc., etc. Only acknowledgment one migh tender is slight wave to opponent waiting at ne who is doubtless staring at vanishing sports ca and wondering if there's enough change le on locker-room shelf to get soft drink from dispense outside tennis shop. ●

In the world of sports, George Plimpton *has been the done that, and written memorably about it all.*

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35. BLOOMINGDALE'S–THE MEN'S STORE At His Service—Our complimentary shopping service for gentlemen. Please call Cathy Newman at [illegible] in Minneapolis and [illegible] in Chicago.

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SPORTS/EXERCISE

37. COBRA GOLF INCORPORATED Oversize irons and metalwoods for men, women and seniors. Free product catalog upon request.

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42. NIKKO HOTELS INTERNATIONAL–NORTH AMERICA Seven stunning properties in North America bring a breath of fresh air to the world of luxury hotels. Thoughtful amenities at these hotels include in-room refreshment centers, plush bathrobes, Fitness Centers, Executive Business Centers and a true commitment to the Japanese tradition of service.

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48. THE CLOISTER, SEA ISLAND, GEORGIA A Mobil Five-Star resort, offer five miles of beach, full-service spa, championship golf, golf learning center, tennis, horseback riding, dancing. Full American Plan. 800-SEA-ISLAnd.

49. DEPARTMENT OF EXPORT PROMOTION – THAILAND

50. JAMAICA JAMAICA® Escape to the most unique golf, tennis and watersports vacation in the world. The Super-Inclusive™ freedom to enjoy more of the very best of everything from unlimited golf, tennis, scuba to true gourmet dining, unlimited premium brand cocktails, luxurious rooms and hot, live entertainment all for one simple upfront price. No tipping. Free brochure.

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5 Youthful Triumphs

What's better than an 80-yard run? (A 99-yard run.)

By Bruce Jay Friedman

1 My rendition of "I Understand" in front of 500 guests at the Laurel's Country Club in Sackett Lake, New York—in which I never once sang off-key.

2 The silver dollar I received on Broadway from Lou Costello, who patted me on the head and said: "You are the nicest little boy in the whole world."

3 The carton of "Thanks" candybars I was awarded for my safety slogan: *Follow the red and the green and you'll be in the pink.*

4 The pass I intercepted on the one-yard line at Macombs Dam Park in the Bronx, after which I ran the full length of the field for a touchdown against swift Catholic School defenders.

5 The first story I sold—to Hollis Alpert of *The New Yorker,* who told me recently: "I discovered you. Discover me back." ●

Bliss is a silver dollar and a pat on the head from your childhood hero.

Bruce Jay Friedman *is a novelist, playwright, essayist and screenwriter.*

Forbes FYI

A SUPPLEMENT TO FORBES MAGAZINE

AND

The Scotch Malt Whisky Society

Cordially Invites You To Attend

"The Single Malt Extravaganza"

An Evening Of Rare & Unique Single Malt Scotch Whiskies

The Chicago Hilton & Towers – Chicago, IL
Wednesday, October 18, 1995
6:30 - 8 :30 pm

The Tower Club – Dallas, TX
Thursday, October 19, 1995
6:30 - 8 :30 pm

The City Club of San Francisco – San Francisco, CA
Tuesday, October 24, 1995
6:30 - 8 :30 pm

The J.W. Marriot/Century City – Los Angeles, CA
Thursday, October 26, 1995
6:30 - 8 :30 pm

The Hyatt Regency – Denver, CO
Thursday, November 2, 1995
6:30 - 8 :30 pm

The Swissotel – Atlanta, GA
Wednesday, November 8, 1995
6:30 - 8 :30 pm

The Inter-Continental Hotel – Miami, FL
Thursday, November 9, 1995
6:30 - 8 :30 pm

The Ritz Carlton – Boston, MA
Tuesday, November 14, 1995
6:30 - 8 :30 pm

J.W. Marriot – Washington, D.C.
Wednesday, November 15, 1995
6:30 - 8 :30 pm

The St. Moritz At The Park – New York, NY
Thursday, November 16, 1995
6:30 - 8 :30 pm

Scotch Malt Whisky Society Members: $50

Non-Members: $65

Reservations are limited, tickets by advance purchase only

For Information

Telephone Toll-Free 1-800-990-1991

Farewell, My Fivelies

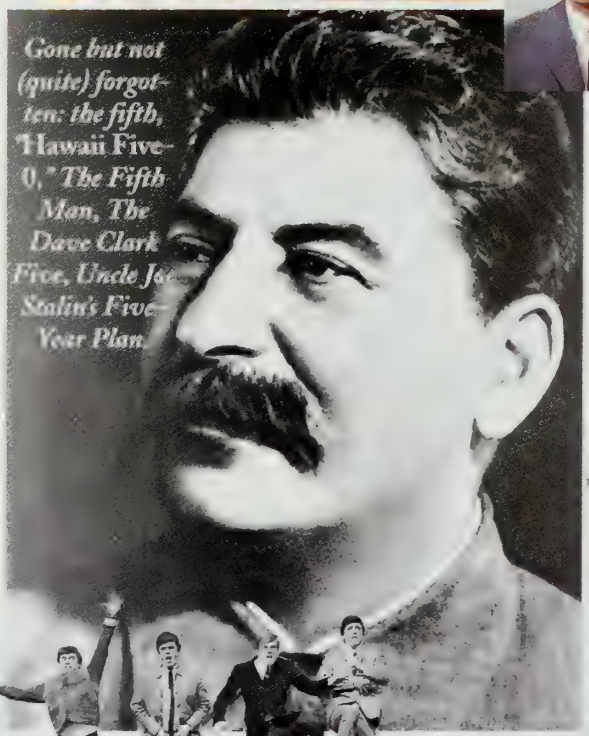
And the world is one-fifth poorer for their passing

By Alex Beam

1 The Fifth Man

It was England's primary growth industry of the 1980s; fingering the purported "fifth man" who helped Kim Philby, Donald Maclean, Guy Burgess and Fourth Man Anthony Blunt engineer the decline and fall of the British intelligence services as we know them. Only one man—KGB defector Oleg Gordievsky—claims to know that there is, indeed, a Fifth Man as well as his identity, and he won't reveal it until the publication of his next book, *The Magnificent Five*. But many otherwise intelligent intelligence operatives have already put pen to paper, spawning a multitude of false sightings of the Quisling Quints. Indeed, as Gordievsky and Christopher Andrew wrote in *KGB: The Inside Story*: "By the end of the 1980s, the hunt for the Fifth Man had begun to resemble Monty Python's quest for the Holy Grail."

The most notorious un-Fifth Man was Sir Roger Hollis, the former head of MI5, the British counterintelligence service. Writers Chapman Pincher and Peter Wright, among others, nailed Hollis as a member of the Cambridge Five, a subversive cell that may or may not have flourished by the banks of the Cam in the early 1930s. Hollis was eventually cleared. Others unfit to be Fifth were Hollis' deputy Graham Mitche[illegible] Lord Rothschild, and one Sir Rud[illegible] Peierls, whom his accusers believ[illegible] to be dead. Far from it; Sir Rud[illegible] successfully sued for libel, and t[illegible] quest for Mr. Five continues.



Gone but not (quite) forgotten: the fifth, "Hawaii Five-0," The Fifth Man, The Dave Clark Five, Uncle Joe Stalin's Five-Year Plan.

2 The Five-Year Plan (1991)

A fantastical [illegible] successful ec[illegible] nomic innovati[illegible] of Joseph Stalin, never fu[illegible] appreciated by the millio[illegible] of peasants and workers w[illegible] died trying to achieve its e[illegible] aggerated goals. For tho[illegible] lucky enough to survive, t[illegible] Plans bore an ineffab[illegible] quixotic charm. The Cor[illegible] munist Party bosses wou[illegible] invent stirring new sl[illegible] gans—"Storm the Basti[illegible] of Kilowatt-Hour Ou[illegible] put!"—and the freshly i[illegible] centivized workers wou[illegible] repair to a local tavern for[illegible] impromptu sampling of t[illegible] latest distilled grain pro[illegible] ucts. Several years later, sa[illegible] bosses would proclaim t[illegible] Plan to have been overfu[illegible] filled ahead of time: "The Five-Year Plan [illegible] Four Years!" Celebratory, impromptu spi[illegible] its samplings ensued.

In modern-day Moscow, the econom[illegible]

nning cycle has been reduced to five days. Two nights ore the International Monetary Fund enforcers fly in, ltsin & Co. massage the government budget data. The arton-educated IMF smarties subject the numbers to orous econometric analysis ("Marlene—just divide ev- thing by 50% and put out a press release, OK?") and g homewards to comfortable, inflation-free suburbs in neva and Washington. On the fifth day of the budget le, Russian economists repair to the new Gorky Street ak 'N' Brew for some restorative samplings of modish landic vodka.

Although completely discredited in the Former Soviet ion, the fascination with long-term socioeconomic nning abides, indeed, remains strong. (See America, ntract with; also Days, First One Hundred.)

The Dave Clark Five (1962-1970)

ey weren't musicians—but u knew that already. Dave ark was a young movie stunt- n who taught himself to play ms and formed a band to se money for his local soccer m. The bass player was a hting engineer, the guitarist a gress clerk. Yes, it is "hard to ieve now that they were con- ered equal to the Beatles," as e rock encyclopedist correctly nts out, but hey, it was the ties, before Robert McNamara experienced all that cha- n about bollixing up the Vietnam War.

Everything the Beatles did, the DC5 did, only later and her. Dave Clark made it onto Ed Sullivan, indeed, more es than the Fab Four. They topped the U.S. charts and en released a *Hard Day's Night* copycat movie called *tch Us If You Can*. Then—poof!—in 1970, eight years er their first appearance—and, comically, the same year e Beatles broke up—the DC5 entered rock 'n' roll his- y, such as it is.

For Dave Clark himself, there proved to be life after the e. In April of 1986, he produced—over-produced, ac- ally—the lavish, futuristic musical *Time*, starring Cliff chard, with music by Stevie Wonder. The show "sets a w record in the gap between imaginative poverty and bylonian material resources," according to *The London mes*. More recently, Clark, who, unlike the Beatles or e Rolling Stones, cannily retained full rights to all of his ordings, released a much-praised CD, "The History Of e Dave Clark Five." That's the good news. Now the bad ws: a four-CD boxed set is in the works.

"Hawaii Five-O" (1968-1980)

You can just see Alex Trebek holding up the opardy!" answer card: "It was the longest continuously nning police show in television history." No fair, you peeked. From 1968 to 1980, "Hawaii Five-O"—the name of a fictional, special investigative branch of the Hawaiian state police—entertained viewers with lavish scenery, curvaceous walk-on bimbos, and the Manichaean duel between Good and Evil, the latter personified by the porcine criminal mastermind, Wo Fat.

Much of the credit for "Five-O"'s astonishing longevity redounds to its stars: craggy-jawed Jack Lord played Det. Steve McGarrett, with baby-faced James MacArthur as his sidekick "Dan-O" Williams. MacArthur was the adopted son of playwright Charles MacArthur and actress Helen Hayes, who appeared in the show and remained a loyal fan. An interviewer once came upon Hayes watching a "Five-O" rerun in her hotel room, shouting at the screen: "It's a bomb! It's ticking! Get rid of it, you fool!"

After the series ended, MacArthur went to ground, occasionally popping up in TV B-movies. Lord went native. A successful artist whose works are in the permanent collection of the Metropolitan Museum of Art and the British Museum, Lord moved to Honolulu. He has been active in civic affairs and is often spotted jogging on the beach.

The Communist Party bosses would invent stirring new slogans—"Storm the Bastion of Kilowatt-Hour Output!"—and freshly incentivized workers would repair to a local tavern.

5 The Fifth

They are officially extinct. The ancient nobility of liquor—fifths, pints and gallons, the fabled measurements that fortified Lord Nelson at Trafalgar and Dorothy Parker at the typewriter, have disappeared from the nation's stores. Replaced, respectively, by the bogus, 750-milliliter "fifth," the 200-ml. non-pint, and the liter, familiar to many from the gas pumps of underdeveloped countries, like France.

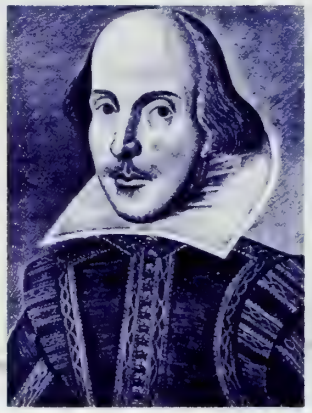
The fifth; trick name, by the way. The curly pink excise sticker says "four-fifths of a quart," but the *Oxford English Dictionary* explains that "the American colloquialism" contains one-fifth of a gallon. A six-pack of one, half-a-dozen of the other, as it were. Fifths were last seen during the Carter Administration, when the legendarily over-zealous Alcohol, Tobacco and Firearms people forbade stores to stock non-metric liquor sizes. The industry complied, not entirely unmotivated by self-interest. As one purveyor explained to *The Washington Post*: "They don't drop the price when they give you a smaller bottle."

Can one buy a fifth in Bill Clinton's America? It ain't easy, without attracting the attention of the revenuers. Still, we did manage to land one for this special, commemorative event. See photo. And have a (virtual) swig, on us. •

ALEX BEAM *is a columnist for the* Boston Globe, *a novelist and frequent contributor to* FYI.

Concise Shakespeare quotes:

1. "What, ho?"
2. "'Sblood!"
3. "I die!"
4. "'Swounds!"
5. "Romeo?"



Lines that prove conclusively that if you can't say something nice about someone, you must be English:

1. "How like British medicine to remove the only part of Randolph that is not malignant." (Evelyn Waugh on hearing that an operation to remove Randolph Churchill's lung was a success, and the biopsy had come back negative.)
2. "He could not blow his nose without moralizing on conditions in the handkerchief industry." (Cyril Connolly on George Orwell)
3. "He could not see a belt without hitting below it." (Margot Asquith on David Lloyd George)
4. "He hasn't an enemy in the world, and none of his friends likes him." (Oscar Wilde on George Bernard Shaw)
5. "He is a sheep in sheep's clothing." (Winston Churchill on Clement Attlee)

Sayings by Calvin Coolidge that make you wonder why he got such a bad rap in the first place:

1. "You don't have to apologize for something you never said."
2. "The appropriation of public money always is perfectly lovely until someone is asked to pay the bill."
3. "When a great many people are unable to find work, unemployment results."
4. "The business of America is business."
5. "Advertising ministers to the spiritual side of trade."

Alarming '90s terms we hope never become permanent additions to the language:

1. "Robust peacekeeping"-n., an aggressive United Nations response in Bosnia
2. "Clutter buddy"-n., one who supports another person in sorting and discarding accumulated personal possessions
3. "Granny dumping"-n., abandonment of an elderly person, often at a baseball stadium
4. "Floral bondage"-n., the use of security devices and other measures to protect plants from theft
5. "Foreplay harassment"-n., a form of sexual harassment more flagrant than "mental groping" and "social touching"

llars would have ught you in 1895:

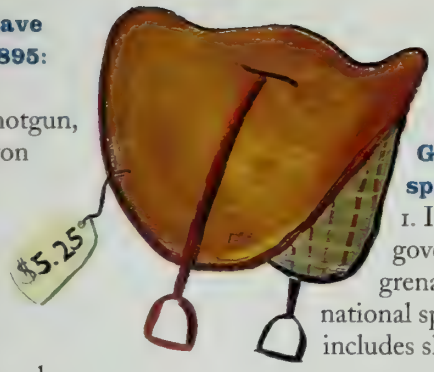
A single-barrel ech-loading shotgun, 95 (or Remington tol $5.15)

One 18-karat id gold ring, or five gold gs, 95 cents ch)

Men's all-wool cashmere ckintosh overcoat, $5.10

Ladies' riding saddle, $5.25

Spalding's catcher's mitt, $4.50



llars will still buy u today:

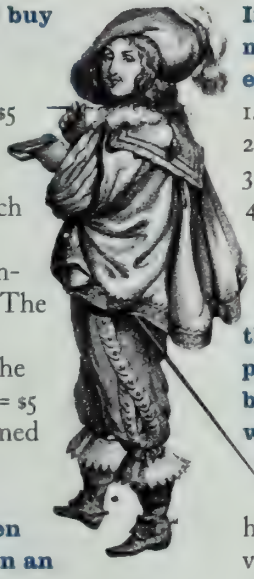
Nat Sherman empshire cigar, $5

Burger, fries d cole slaw at oolworth's Lunch unter, $4.95

Glass of chardon- y at Tavern On The reen, $4.75

Shoe shine at The aza, $3 + big tip = $5

One long-stemmed se, $5



asons to hasten e drinks cart on an rline flight:

Chances of a mishap during take-f: 1 in 5

Chances during cruising: 1 in 6

Chances during approach: 1 in 7

Chances during landing: 1 in 9

5. The good news: chances of dying are 1 in 1.6 million

Great moments in sports history:

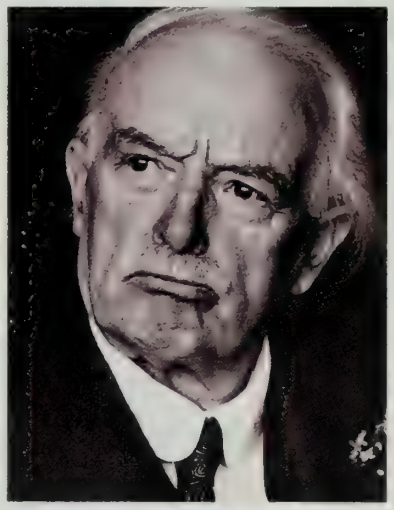
1. In 1976, the Soviet government adds grenade throwing to a national sports program that includes skiing, track and cross-country running.
2. The National Endowment for the Humanities awards $2,500 to Arlington (Va.) County to study why people are rude to one another at tennis courts.
3. Henri LeMothe dives from a height of 40 feet into 14 inches of water—12 times.
4. Forty-one seconds into the first round of a 1977 Golden Gloves bout, boxer Harvey Gartley dances himself into exhaustion, falls to the canvas and is declared knocked out.
5. UCLA researchers hoping to design a better football helmet begin studying why woodpeckers don't get headaches.

Income brackets that forecast a man's likelihood of having an extramarital affair:

1. $10,000-20,000: 1 in 3
2. $20,000-30,000: 9 in 20
3. $30,000-40,000: 11 in 20
4. $40,000-50,000: 2 in 3
5. $60,000 and above: 7 in 10

Funny, cynical things said by people with names beginning with L:

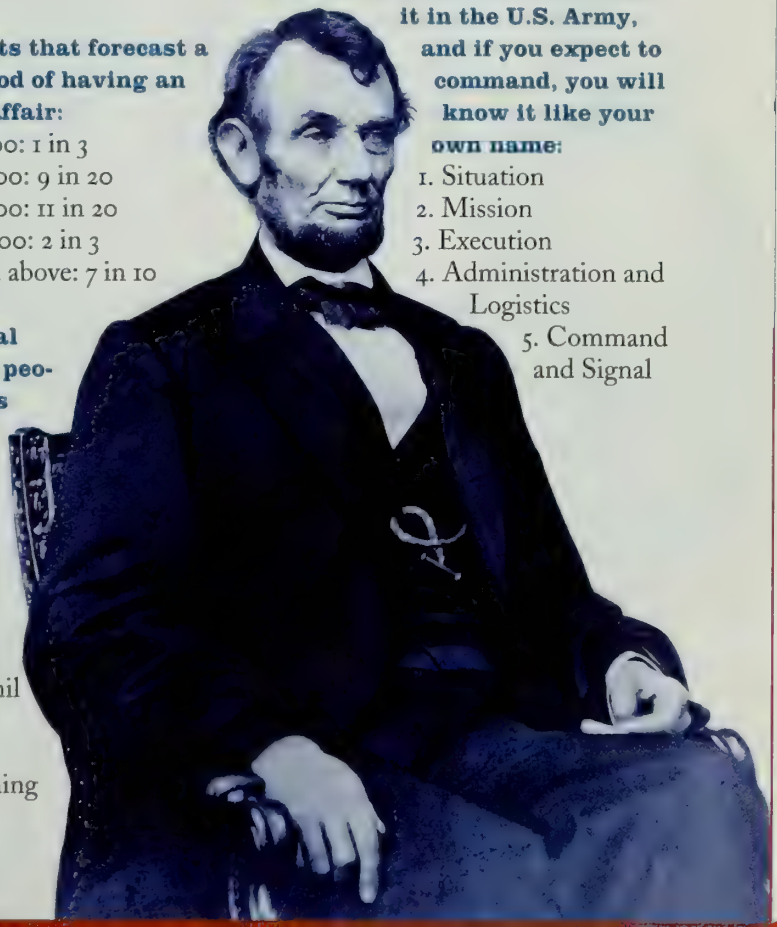
1. "Hypocrisy is the homage that vice pays to virtue." (La Rochefoucauld)
2. "De mortuis nil nisi bunkum." (Harold Laski)
3. "When smashing monuments, save the pedestals—they always come in handy." (Stanislaw Lee)
4. "The Lord prefers common-looking people. That is the reason He makes so many of them." (Abraham Lincoln)
5. "It is amazing how wise statesmen can be when it is ten years too late." (David Lloyd George)



ELEMENTS OF THE FIVE-PARAGRAPH ORDER:

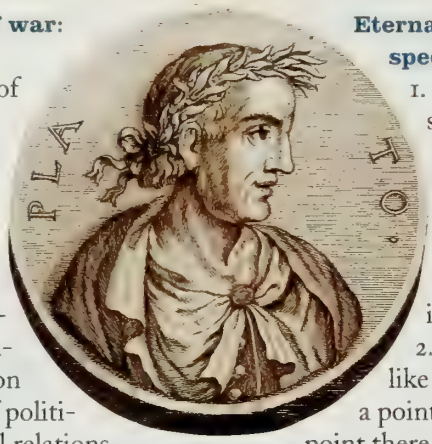
You are about to lead men into battle, and you need to tell them how it will go and what to expect. This is the way they teach it in the U.S. Army, and if you expect to command, you will know it like your own name:

1. Situation
2. Mission
3. Execution
4. Administration and Logistics
5. Command and Signal



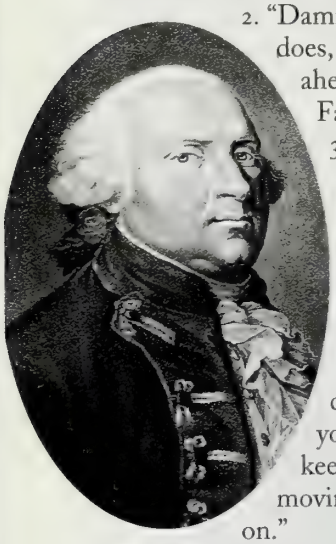
Succinct views of war:

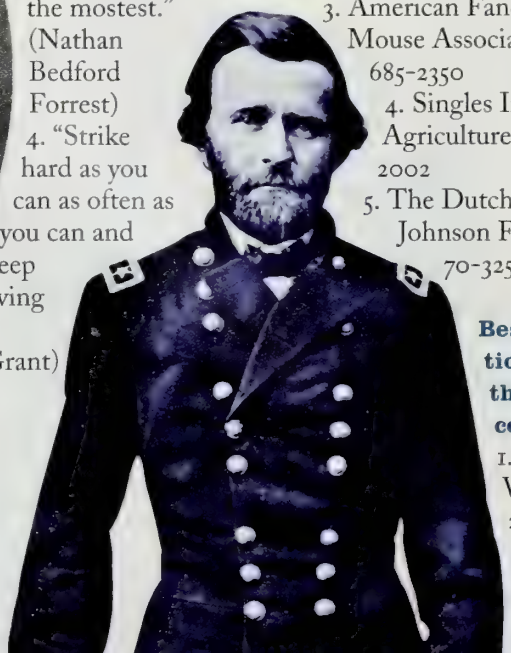
1. "Wars are occasioned by the love of money." (Plato)
2. "Next to a battle lost, the greatest misery is a battle gained." (Wellington)
3. "War is a continuation of political relations by other means." (Clausewitz)
4. "One has renounced grand life when one renounces war." (Nietzsche)
5. "War is hell." (William Tecumseh Sherman)



Views on how to win a war:

1. "God is always for the big battalions." (Frederick the Great)
2. "Damn the torpedoes, full speed ahead." (David Farragut)
3. "Git thar fustest with the mostest." (Nathan Bedford Forrest)
4. "Strike hard as you can as often as you can and keep moving on." (Ulysses Simpson Grant)
5. "Grab 'em by the balls and their hearts and minds will follow." (*anon* Vietnam)





Eternal truths about speeches:

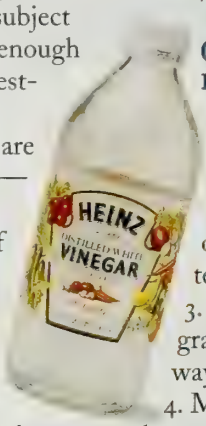
1. "An after-dinner speech should be like a lady's dress: long enough to cover the subject and short enough to be interesting." (*anon*)
2. "Speeches are like steer horns—a point here, a point there and a lot of bull in between." (*anon*)
3. "I do not object to people looking at their watches when I am speaking—but I strongly object when they start shaking them to make certain they are still going." (Lord Birkett)
4. "A speech is like a love affair. Any fool can start it, but to end it requires considerable skill." (Lord Mancroft)
5. "Spontaneous speeches are seldom worth the paper they are written on." (Leslie Horton)

Organizations for people with too much free time:

1. The Postal History of Canada, 613-257-5453
2. World Arm Wrestling Federation, 717-342-4984
3. American Fancy Rat And Mouse Association, 909-685-2350
4. Singles In Agriculture, 815-443-2002
5. The Dutch Don Johnson Fan Club, 70-325-8753

Best inventions of the 20th century:

1. Saran Wrap
2. FedEx
3. The microwave oven
4. The VCR
5. Post-It Notes



Uses for white vinegar (according to the Vinegar Institute):

1. A teaspoon added to poaching water will help egg whites keep their shape.
2. Mixed with an equal part of salt, will remove coffee and tea stains from china.
3. Used full strength, will kill grass on sidewalks and driveways.
4. Mixed 3-to-1 with water, will keep windshields frost-free on cold winter nights.
5. A teaspoon in a quart of drinking water will keep a 40-pound pet flea- and tick-free.

Goldwynisms:

1. "We can get all the Indians we need at the reservoir."
2. "Include me out."
3. "In two words: impossible."
4. "Gentlemen, do not underestimate the value of the atomic bomb. It's dynamite!"
5. "My God, what'll they think of next?" (On being shown a sundial)

AVEN

20th
ANNIVERSARY

Star generals:
1. Douglas MacArthur
2. Dwight Eisenhower
3. George Marshall
4. Omar Bradley
5. Hap Arnold

Nifty gardening tips:
1. Garlic or chives, planted beneath a rose bush, deter aphids.
2. For a healthier tomato plant, lay on side when planting and cover stem to where the leaves begin. New roots will form along the stem.
3. Soaked in water, the bark and branches of willow provide a compound which will help other plants take root.
4. After pruning rose bushes and raspberries in early spring, lay branches over newly planted beds to keep cats and critters away.
5. Plant borage, a luminous blue flowering herb that aids pollination and tastes great in salads.

Great country music refrains:
1. "Too dumb for New York City, too ugly for L.A." (Waylon Jennings)
2. "Love me or kill me, but don't leave me here for dead." (unknown)
3. "I'll burn that bridge when I get to it." (unknown)
4. "When you're runnin' down our country, you're walkin' on the fightin' side of me." (Merle Haggard)
5. "Is it cold in here, or is it just you?" (Joe Diffie)

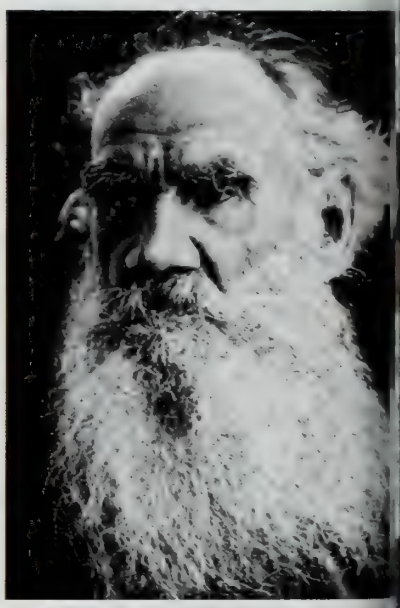
Order of physical attributes women look for in men (and the proportion of women who like which body parts best):

1. Face: 11 in 20
2. Hair: 1 in 13
3. Shoulders: 1 in 14
4. Chest: 1 in 16
5. Hands: 1 in 25

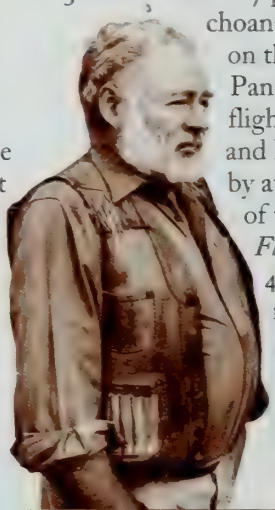
Order of physical attributes men look for in women (and the proportion of men who like which body parts best):
1. Face: 1 in 4
2. Legs: 1 in 4
3. Bust: 1 in 6
4. Hair: 1 in 20
5. Bottom: 1 in 25

Proverbs:
1. "I don't want the cheese, I just want to get out of the trap." (Spanish)
2. "If you try to be too sharp, you will cut yourself." (Italian)
3. "If you would avoid suspicion, don't lace your shoes in a melon field." (Chinese)
4. "Make yourself into a sheep, an you'll meet a wolf nearby." (Russian)
5. "If you wa to keep your milk sweet, leave it in the cow." (African)

Famous first lines i books:
1. "All happy families are alike but an unhappy family is unhappy after its own fashion." (*Anne Karenina*, Tolstoy)
2. "In my younger and more vulner ble years my father gave me some advice that I've been turning over in my mind ever since." (*The Great Gatsby*, Fitzgerald)



3. "There were 117 psychoanalysts on the Pan Am flight to Vienna and I'd been treated by at least six of them." (*Fear Of Flying*, Jong)
4. "He was an ol man who fished alone in a skiff i the Gulf Strea



an he had gone eighty-four days no without taking a fish." (*The Old Man And The Sea*, Hemingway)

5. "Here is Edward Bear, coming downstairs now, bump, bump, bump, on the back of his head, behind Christopher Robin." (*Winnie-The-Pooh*, Milne)

emorable quotes from the weld of boxing:

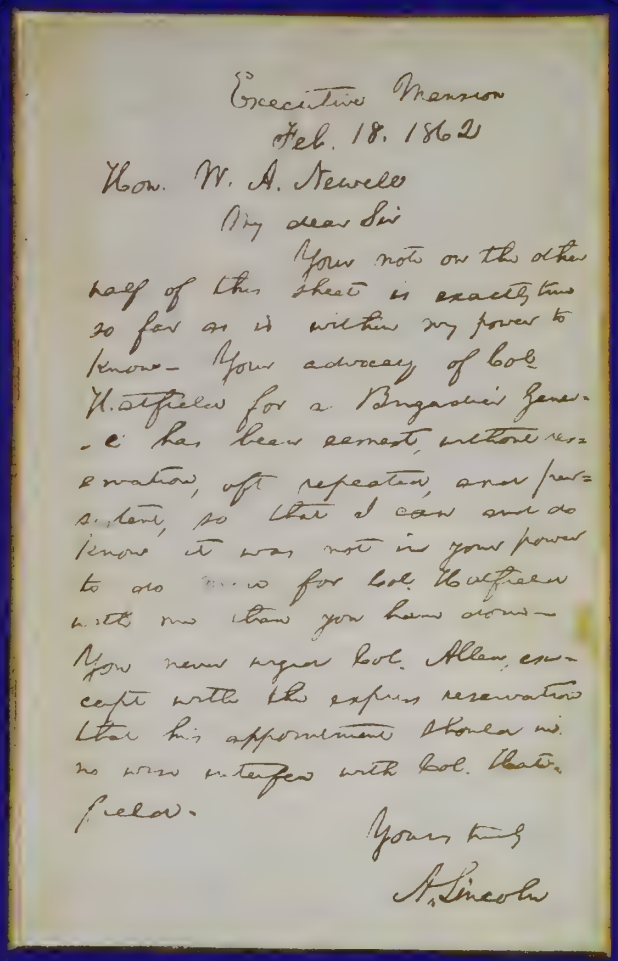
1. He can run but he can't hide." (Joe Louis on his upcoming fight with the more nimble Billy Conn, whom Louis knocked out.)

2. Honey, I forgot to duck." (Jack Dempsey, to his wife, when she asked, "What happened?" after the second Tunney fight. Ronald Reagan used the line in his after he had been shot.)

3. The bigger they are, the harder they fall." (Robert Fitzsimmons before his fight with Jim Jefferies)

4. Sonny has his good points. It's his bad points that ain't so good." (Sonny Liston's manager)

5. "Float like a butterfly; sting like a bee." (Muhammed Ali, on his own incomparable style)



Executive Mansion
Feb. 18. 1862

Hon. W. A. Newell
My dear Sir

Your note on the other half of this sheet is exactly true so far as it within my power to know – Your advocacy of Col. Wolfe for a Brigadier General has been earnest, without reservation, oft repeated, and persistent, so that I can and do know it was not in your power to do more for Col. Wolfe with me than you have done – You never urged Col. Allen, except with the express reservation that his appointment should not in no way interfere with Col. Wolfe's.

Yours truly
A. Lincoln

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Abraham Lincoln. Autograph letter signed as President to Governor Newall of New Jersey, "Executive Mansion," 18 February 1862. 1 page, 8vo. Regarding a military appointment.
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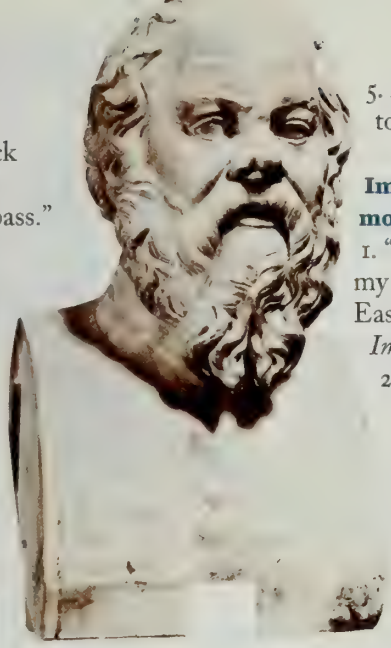
L t words by th condemned:

1 Crito, we owe a cock to Aesculapius. Please p it and don't let it pass." (Socrates)

2 Show my head to the people, it is worth s ng."(Danton)

3 This hath not offended the King." (Sir Thomas More, withdrawing his beard aside to give the headsman a better target.)



4. "Turn me. I am roasted on one side." (Roman martyr Saint Lawrence)

5. "Let's do it." (Gary Gilmore)

Bygone expressions from the American lexicon:

1 Five O'Clock Follies (1966): the daily military press briefing in Saigon during the Vietnam War

2 Five square (1956): read you loud and clear

3 Five-by-five (1944): an obese person

4 Game of fives (1848): to deliver a beating

5. Agitate fives (1843): to shake hands

Immortal movie lines:

1. "Go ahead, make my day." (Clint Eastwood in *Sudden Impact*)

2. "What we've got here is a failure to communicate." (Strother Martin in *Cool Hand Luke*)

3. "You know how to whistle, don't you Steve? You just put your lips together and blow."

(Lauren Bacall in *To Have And Have Not*)

4. "May the force be with you." (Alec Guinness in *Star Wars*)

5. "I'm gonna make him an offer he can't refuse." (Marlon Brando in *The Godfather*)

Who deserved what they got in the locker room:

1. The 1940 Washington Redskins, who lost the NFL Championship to the Chicago Bears, 73-0.

2. The 1912 Detroit Tigers, who, on May 18, without a suspended Ty Cobb and other starters, lost to the A's 24-2.

3. Bantamweight contender Danny O'Sullivan, who was knocked down 14 times in 10 rounds during a 1950 title fight with Vic Toweel.

4. Golfer Ray Ainsley, who in the

1938 U.S. Open at Cherry Hills managed a 19 on the par-four 16th.
5. The 1944 New York Rangers, who, on January 23rd, were iced 15-0 by the Detroit Red Wings.

Simple questions that still baffle scientists:
1. Why we cry tears
2. Where the moon came from
3. How birds migrate thousands of miles to the same spot
4. Why some people stutter
5. Why we like music

Possible uses for closed military bases:
1. Enterprise zones
2. Satellite parking
3. Warehousing used John Grisham novels
4. Grateful Dead concerts (post-Jerry)
5. Golf courses

Phrases to help you pass for a redneck:
1. "Shoot low boys, they're riding Shetlands."
2. "Boy was so ugly they had to hang a pork chop around his neck to get the dog to play with him."
3. "I been busier than a one-legged Cajun in an ass kicking contest."
4. "The boy don't know how to tell the truth. I believe he'd rather climb a tree and lie than stay on the ground and tell the truth."
5. "If wishes was wings, a frog wouldn't bump his ass on the ground."

Firings, in movies:
1. "Sure we're speaking, Jedediah. You're fired." (Orson Welles to Joseph Cotten in *Citizen Kane*)
2. "You can't discharge me. I'm my own master for the first time in my life. You can't discharge me! I'm sick! I'm going to die. You understand? I'm going to die, and nobody can do anything to me anymore. Nothing can happen to me anymore. Before I can be discharged, I'll be dead. Ha ha ha ha!" (Lionel Barrymore to Wallace Beery in *Grand Hotel*)

3. "Mr. Ruddy had a mild heart attack and is not taking calls. In his absence, I'm making all network decisions—including one I've been waiting to make a long time: you're fired. I want you out of this building by noon. I'll call the security guards and have you thrown out if you're still here." (Robert Duvall to William Holden in *Network*)
4. "You know what Mr. Kockenlocker is like. He didn't exactly take it lying down when they fired him. He left on very bad terms. They had to take six stitches in Mr. Tuerck alone." (Alan Bridge to Eddie Bracken in *The Miracle Of Morgan's Creek*)

5. "First prize is a Cadillac Eldorado. Second prize is a set of steak knives. Third prize is—you're fired." (Alec Baldwin in *Glengarry Glen Ross*) ●

Sources: *Respectfully Quoted: A Dictionary Of Quotation From The Library Of Congress*; *The New York Public Library Book Of 20th-Century American Quotations*; *The New York Times* 6/6/95; *Word Watch* by Anne Soukhanov; *The Official Sexually Correct Dictionary An Dating Guide* by Henry Beard and Christopher Cerf; Sears, Roebuck and Co. Catalogue, 1897; National Transportation Safety Board, U.S. Air Carrier Operations Calendar; *What Are The Odds*; *The People's Almanac #2*; *The Cynics Lexicon*, edited by Jonathon Green; *The Penguin Dictionary Of Modern Humorist's Quotations*; *The Encyclopedia Of Associations*; *American Literary Anecdotes*, edited by Robert Hendrickson; *Sex. A User's Manual*; *Almanac Of The American People*; *Facts On File*; *Quotations Of Wit And Wisdom*, edited by John W. Gardner and Francesca Gardner Reese; *In The Beginning*, edited by Hans Bauer; *They Went That-A-Way* by Malcolm Forbes; *Random House Historical Dictionary Of American Slang*; *The Movie Quote Book*, edited by Harry Haun; *The Day The Lightning Chased The Housewife And Other Scientific Mysteries*.

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